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MARCH 5, 1932

Inflation and the Security Markets

By A. T. Miller

What Corporate Statements Show

By Laurence Stern

Our Stake in China and Japan

A Graphic Presentation By Charles Benedict

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CONTENTS

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INVESTMENT AND BUSINESS TREND 577
Taking the Pulse of Business 579
Inflation and the Security Markets. By A. T. Miller 580
Tinkering With the Banking Machinery. By Theodore M. Knappen.. 582
New Farm Economy May Lead Business Recovery. By C. S. Burton. 585
What Corporate Statements Show. By Laurence Stern 588
Our Stake in China and Japan. By Charles Benedict 590
Small Business Comes Back. By John C. Cresswill 592
"Now Don't Quote Me, But——" 594

BONDS
Putting Money to Work With Maximum of Safety. By J. C. Clifford.. 596
Bond Buyers' Guide 597

RAILROADS
Union Pacific. By Pierce H. Fulton 598

PUBLIC UTILITIES
American Gas & Electric Co. By Ward Gates 600

INDUSTRIALS
Good Income, Well Protected in Preferreds. By Frank L. St. John ... 602
Preferred Stock Guide 604

1931 Earnings Ahead of 1930:
- Pacific Lighting Corp. 605
- United States Tobacco Co. 606
- First National Stores, Inc. 606
- Brooklyn Union Gas Co. 607
- R. J. Reynolds Tobacco Co. 607

Eastman Kodak. By Ronald P. Hartwell 608
For Profit and Income 610
One-Line Analyses of Common Stocks in This Issue From The Magazine of Wall Street's Adjustable Stock Rating Booklet 610

READERS' FORUM
Mass Psychology Makes the Business Trend. By Chester Grow 612
Value Versus Price. By E. Merle Zimmermann 613

TRADE TENDENCIES
Concrete Evidence of Seasonal Upturn Not Yet Evident 614
The Magazine of Wall Street's Indicators. Business Indexes. Common Stock Price Index 615

ANSWERS TO INQUIRIES 616
New York Stock Exchange Price Range of Active Stocks 618
Securities Analyzed, Rated and Mentioned in This Issue 621
Market Statistics 629
New York Curb Exchange 630
Over-the-Counter 634
Facts, News and Comments 634

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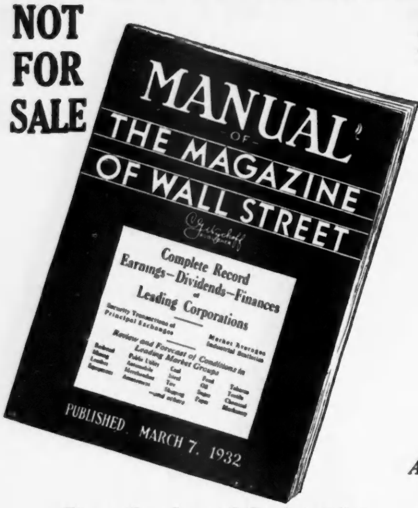

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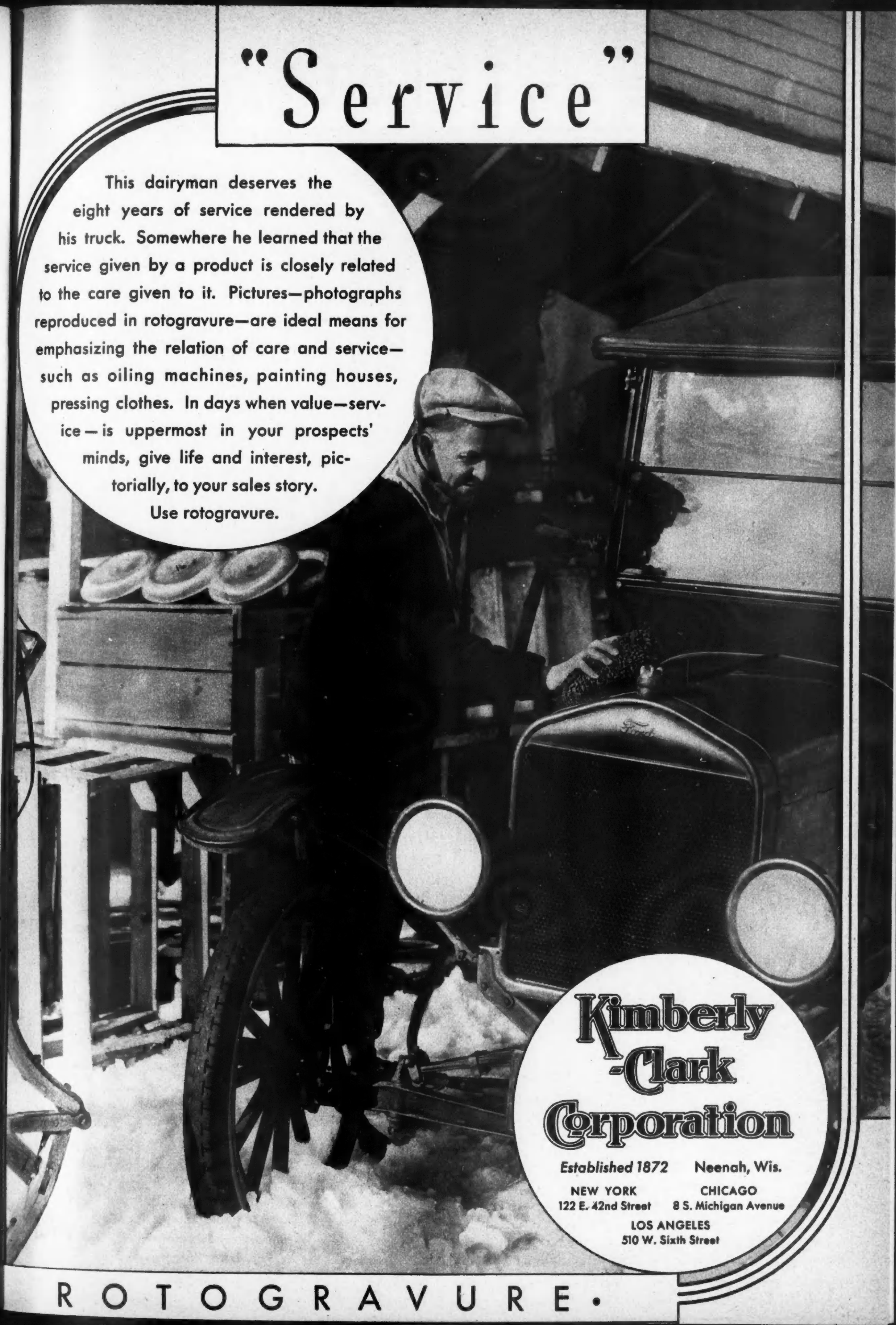
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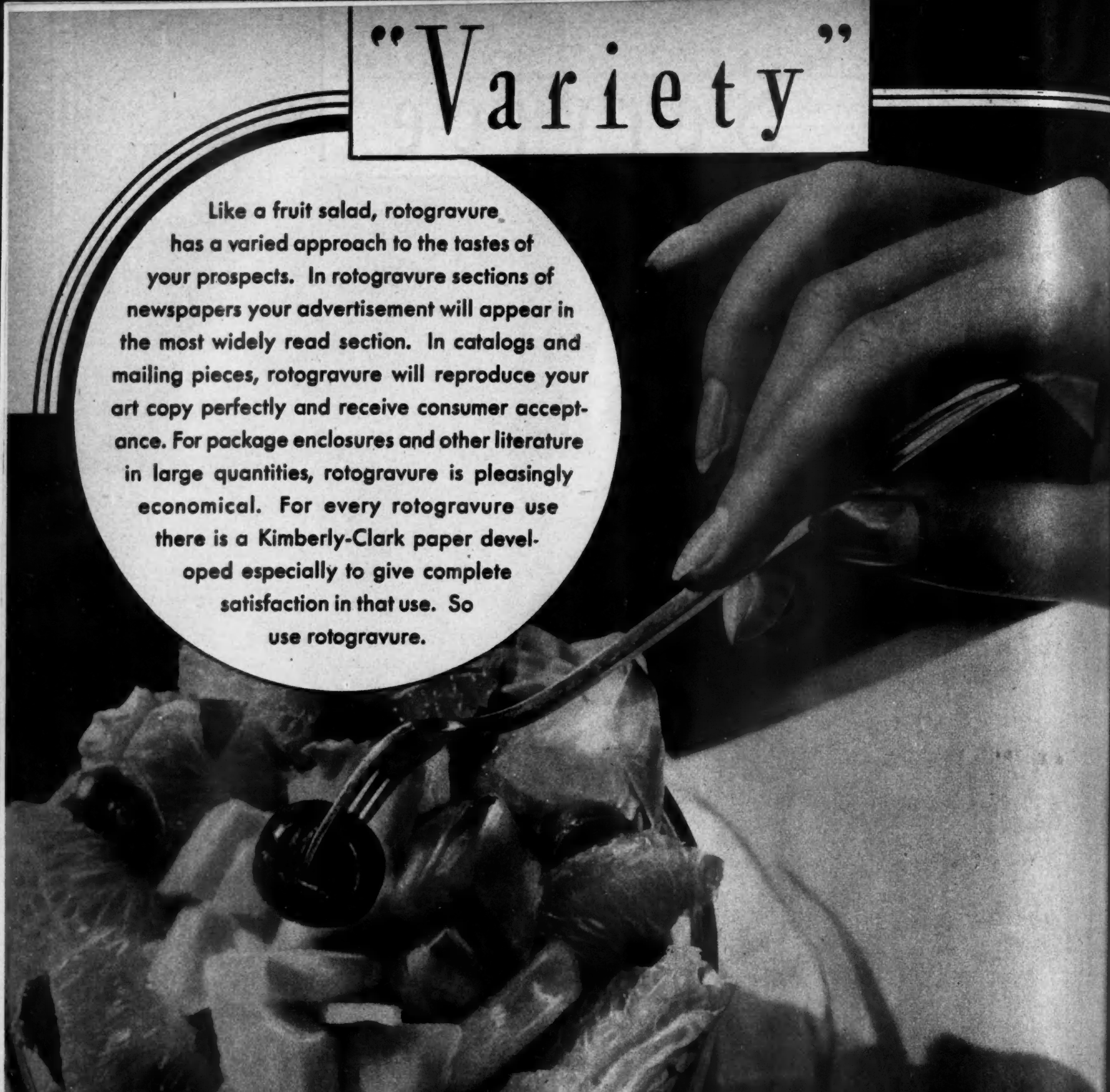
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WITH THE EDITORS

Where Do We Stand Now?

THE back of the depression may or may not have been broken. It certainly has been bent. We have evidence of this in the waning of our fear and excitement. Whereas the year 1931 was almost constantly spectacular in its destructive train of events, nothing much is now happening. We have entered an interlude of relative quiet in which positive fear of the future appears to have given way to a calm inclination to wait and see what it brings. That is a good time to consider what has happened and to see where we stand.

As far as it goes, a period of calm after a storm is hopeful, particularly when the storm has been so severe. The outstanding fact is that the natural process of economic correction has been so sweeping and extensive—perhaps sufficiently complete to justify, for the first time, man-made efforts to bring about a reversal of the trend. Misguided efforts to maintain prices have broken down all over the world and we are resigned to the basic truth that the normal functioning of the law of supply and demand, in which price itself is the great regulator, must be our chief reliance for a lasting cure.

How long that cure will take remains conjectural, but at least we have taken our medicine. Raw commodities generally are selling below production costs, and that is an infallible economic promise of a correction of excessive supply. The accompanying, secondary adjustments likewise have gone far toward completion. Stock prices have declined approximately 80 per cent from the 1929 levels and the sheer distance traveled, together with the apathy of the present market, suggests that little room is left for further sensational deflation. Our weakest banks have been eliminated but the remaining 20,000 are stronger than ever before and hold the overwhelming bulk of the country's deposits. Our debts, particularly on securities, have been drastically whittled down, although the burden still remains heavy under the existing reduction of means of payment.

In this long descent we have now either halted or paused. The picture around us is confusing. Public purchasing power is regrettably small. Unemployment, which can only be quickly remedied by the artificial expedient of spreading the work more equitably, is appalling. International debt and tariff problems remain unsolved. Wage, rent and commodity maladjustments are still with us, as is excessive governmental spending. On the other hand, bank failures have greatly slackened. There is evidence of a moderate reversal in currency hoarding. Good bonds, preferred stocks and bank stocks have maintained the greater part of their recovery from the panic levels of last December and in so doing may be giving their traditional signal of recovery somewhere ahead. The stock market has made a "triple bottom" and for two months has shown both stability and the apparent lassitude of spent momentum.

Step by step, the efforts of our Government to relieve the situation have come closer to a basis of economic reality and soundness. The latest credit relief measures, although subject to wide differences of opinion, as a practical matter have brought us to a point where we can only await developments. What is to be done lies entirely in the hands of the Federal Reserve authorities. Their decision will depend upon the country's needs as they arise. Those needs will be determined overwhelmingly by the still uncertain business results of the next few months.

In the Next Issue

Germany's Default Hangs in the Balance

By JOHN D. C. WELDON

Charles Benedict on: Short Selling

How Much Can Business Expect in 1932 from Our Greatest Consuming Industry—Building?

By THEODORE M. KNAPPEN

Film Industry in Process of Adjustment

By C. F. MORGAN

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Publisher

Theodore M. Knappen
Associate Editor

Investment and Business Trend

Broad Tax Base—The Short-Selling Bogey—A Hopeful Sign—Will Gold Surrender to Paper?—A Drive for Better Times—The Market Prospect

BROAD TAX BASE

IT IS indisputable that it is impossible for the Federal Government to reduce its expenditures enough to balance the present budget. After all that can or will be done by Congress and the Administration in reducing outgo there remains a vast gap that must be filled by additional taxation, over and beyond the original proposals of the budget. It would be an excellent disciplinary measure to broaden the base of income taxation so that everybody with an income would be reached. To do so would bring home to the masses that the government at Washington is not some remote institution, profligately financed in a miraculous way that does not tax the common man. It is true that indirectly everybody is affected by income taxation—but visible proof is lacking.

Congress is too human to put a direct tax on the little fellow. So it is reluctantly turning its attention to wider-based excise taxes. There is no other way of so certainly, dependably and easily extracting tax money as a sales tax. If placed on articles of wide consumption it will not put an intolerable burden on anybody and if levied at the source will be simply and easily collectable.

A balanced Federal budget at the earliest possible moment is so indispensable to the restoration of confidence and, so, of business activity, that taxes should be made as high as is compatible with realizing the maximum revenue, although the better course, if feasible, would be to cut expenditures even to the point of tax reduction. It would be foolish to wreck the government for sake of establishing a balanced budget immediately. The national credit will not suffer from a measure of borrowing to meet current expenses if it is positively known that within a year or two both ends will meet. But they will not meet soon if taxation does not go up and expenditures down, both abruptly.

THE SHORT-SELLING BOGEY

IT appears quite plain that there is to be a Congressional investigation of the practice of short-selling on the New York Stock Exchange. The prospect may be regarded as generally hopeful, for a short-selling investigation is almost invariably one of the late symptoms of depression. Virtually every period of economic distress in the past has provoked public agitation on the subject, as well as more or less thorough official inquiries. As a famous humorist once remarked about the weather, nothing was ever done about it. The fact is that short-selling,

a practice as old as organized markets, has been thoroughly tested out in the courts and held legal. It is also generally recognized as essential to the maintenance of free and orderly markets. These facts are fully known even to those politicians who are anxious to lift prices by any possible means and who, accordingly, are participating in the present grandstand attack upon "bear raiders." There are reliable indications that they themselves do not expect to undertake restrictive legislation. They know that such legislation, even if permitted by the courts to stand, would be impractical and dangerous.

A HOPEFUL SIGN

INDUSTRY has not yet responded to the more hopeful sentiment created by the recent measures of credit relief, but there is definite, tangible improvement in the one spot where it was most badly needed. The heart-rending sequence of bank failures, which has for months been one of the chief causes of public fear and of currency hoarding, appears to have been decisively broken. The number of insolvencies reported weekly is decreasing and the number of closed banks re-opening is increasing. In the week ended February 18 there were twenty-four banks closed and twelve re-opened. Since the first of the year the trend of insolvencies has been downward. For the week ended January 7 there were 84 suspensions; January 14, 84; January 21, 101; January 28, 58; February 4, 59; February 11, 28; and February 18, 24. Moreover, recent failures have been confined largely to small banks. The failures that have occurred this year are estimated to tie up average deposits of slightly less than $500,000 per bank. At the peak of the wave of failures last October the average was more than $1,000,000 and for all of 1931 the average was nearly $900,000. If this improvement can be maintained, it will do more than any other factor to rebuild the nation's confidence in itself.

WILL GOLD SURRENDER TO PAPER?

AS time goes on it begins to appear that the abandonment of the gold standard by Britain, India and other countries within the British economic circle of domination is not an episode but a complete economic drama. Out of what was more or less of an accident when it happened, there is a growing determination to pivot upon it either a permanent goldless currency system or an international reconstruction of the gold standard system.

As a more or less conscious step in the direction of permanent divorce from the gold standard there is growing up a large bloc of Sterling nations, based on reciprocal trade with England, whose currency uses British currency as its standard of values. The British concede that there are some advantages in a universal standard, such as gold (which they once worshipped as their own peculiar god of trade) but say that the gold standard as now applied between nations and even within nations is inferior to conservatively "managed" paper money. England, some of its economic spokesmen say, will come back to the gold standard when it is renovated by international agreement that will make it serviceable. It is hoped that the exporting handicaps of a few gold nations in a paper world will compel a new deal.

It takes more dollars and francs for the Englishman to buy from gold lands and fewer dollars and francs for gold adherents to buy from England. Here is protection against imports and subsidy on exports. A combination hard to beat, and unbeatable, perhaps, unless Britain goes the way of every country in every age that has trod the primrose path of dalliance with unsupported paper money. The test is yet to come. Some increase of prices in England is inescapable—and then can the money printing presses be restrained and prices chained?

A DRIVE TOWARD BETTER TIMES

THE only panacea for unemployment is employment. The only way to give everybody a job is to divide up the work. It is absurd to have 7 million people wretched, dependent and demoralized when a five-day week and one hour a day less for the employed will give everybody a job. That is the eventual remedy, why not now?

Until the national adoption of this one logical, all-embracing course, it seems to us that the drive to make jobs being conducted by the American Legion, the American Federation of Labor and the Association of National Advertisers is praiseworthy. To ask an employer who has reduced his force by scores and hundreds to undertake to add one or more men to his payroll appeals to his sense of public responsibility without entailing much, if any, practical hardship. To "sell" solvent property owners the idea that the soundest investment they can make in these dubious times is to make needed repairs and desired improvements at bargain prices is a business proposition with a strong self-interest factor.

If the objective is reached of getting a million jobs those jobs will certainly generate another million jobs, and it is conceivable that if other conditions are favorable, the vicious circle of less work, less buying, less work and less buying again may be broken. Business recuperation usually begins with some isolated counter movement, spontaneous but capable of indefinite postponement. If we are now on a dead center this planned drive for a million jobs may conceivably start an unwinding of the circle, just as well as some fortuitous event a year or two hence.

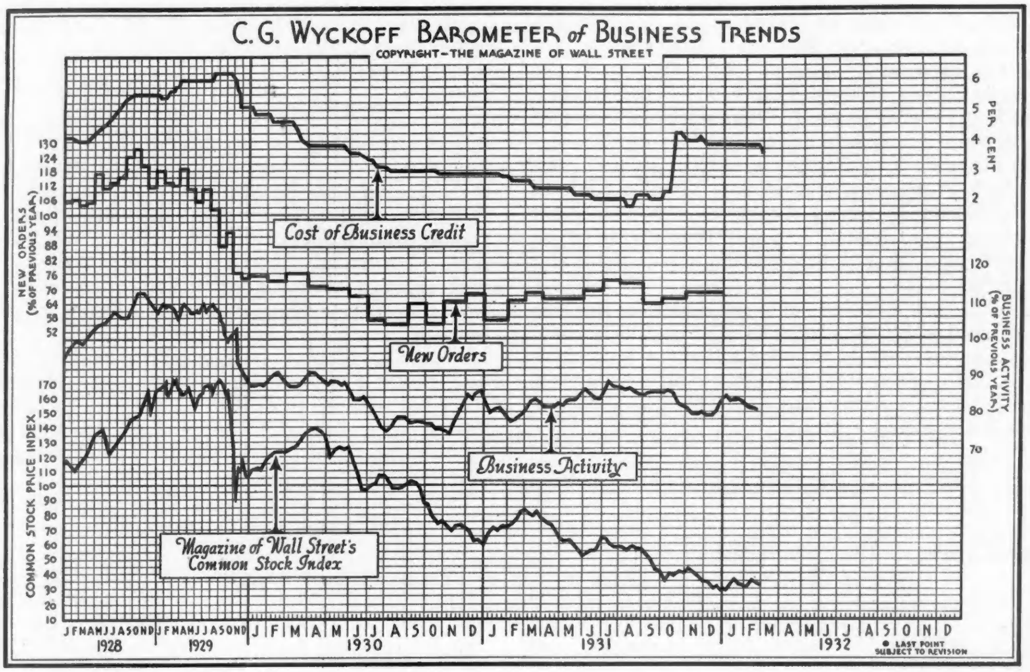
THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 580. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, February 29, 1932.

Taking the Pulse of Business

A Waiting Attitude



THOUGH little statistical evidence of improvement is registered by changes in the Barometer since our last issue there are a few straws which point to a small beginning of tangible results from the fundamental adjustments which are continually being made. Domestic hoarding of currency seems to have been checked, for the time being at least; and there is a heartening decline in the number of bank failures. Until definite proof is forthcoming, however, that the Reconstruction Finance Corporation and the new and highly important banking legislation can effectively cope with the weak spots in our industrial, transportation and banking situation, and so dispel the apprehension currently blocking progress, durable gains are unlikely. The new banking bill places over a billion of free gold at the disposal of the Federal Reserve System. This, of course, vastly relieves the menace of heavy foreign withdrawals. In addition it has encouraged the plan of credit expansion as evidenced by the recent lowering of the rediscount rate by the New York Bank.

It will be noted from the Cost of Business Credit line that money rates have demonstrated stability at a higher level, thereby indicating a sustained demand for short term funds and it is possible that as credit is injected into banking, and so into business, that confidence will cause a lift in the level of wholesale prices. The setting for such a rise is not unfavorable in that stocks of finished goods are not excessive in most hands and raw material purchases must reflect any increase in demand. If such a gain takes place soon enough to join with the usual spring seasonal influences an upmove may carry business to better levels even through the ordinarily dull summer months. But the real indicator of progress in this direction will be a gain in New Orders, which so far have failed to provide any base for a genuine quickening in business activity. Even in the more favorably situated lines of industry there is a reluctance to stock up until there is more assurance that prices have ceased their decline.

Naturally the market reflects this current lack of business progress and its recent behavior attests a determination on the part of stock buyers to slow up on new commitments until tangible evidence of improvement is apparent.

Inflation and the Security Markets

THE major liquidating movement in the stock market appears to have spent its force for the present, but on the buying side extreme apathy likewise is the rule. The best type of investment demand remains cautious, pending tangible proof that the recent measures of credit relief will actually help business. The public's speculative appetite, even if it had the means to satisfy itself, was never duller. Professional traders thus have been left to skirmish half-heartedly among themselves with the market in a stalemate approximately half-way between the triple bottoms of the last three months and the top of the recent overdone rally.

There have been frequent such interludes in the bear movement, marked by speculative inaction and by a virtually unanimous consent to suspend judgment until fresh motivating factors presented themselves. Never has there been a more logical occasion than now exists for the market to do precisely nothing.

Smaller Short Interest

For many weeks, of course, trading activity has tended to shrink, indicative of a rather thoroughly deflated position. The reason for the further shrinkage in volume at this writing appears to be the wholesale elimination of the short account in the fear-inspired squeeze of the last rally and the psychological check imposed upon short-selling by the Stock Exchange's announcement that after April 1 brokers may only lend stock to shorts with the specific consent of the owning customer.

This does not actually change the existing arrangement in any major respect and is not a ban upon short-selling, but it is apparently so accepted for the time being by the weak type of short-seller whose operations until a few weeks ago were growing ever more reckless. Hence, it tends to limit present operations for the decline. The more important bears, on the other hand, appear to be quiescent largely on the theory that stocks are too low to sell to advantage.

In any event, the shrinkage in the short account means a loss of market steam so far as intermediate fluctuations go. Without this technical lever, the market is left more than ever dependent upon external developments. Moreover, with the short account substantially eliminated, it is difficult to believe that the general run of stocks can in the near future advance materially above recent best prices, especially while the supporting influence of a real improvement in the base of corporate earning power is lacking.

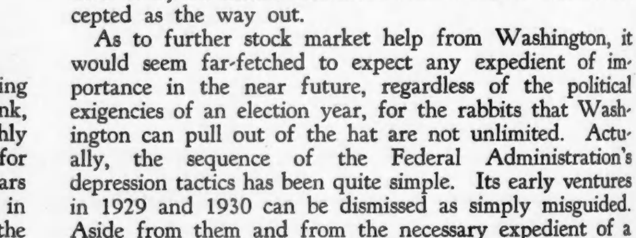
For it has become increasingly evident that the market is demanding definite and tangible evidence of business improvement on which to rear the structure of a more enduring rise in prices than any of the minor upswings that have marked recent weeks. Meanwhile the waiting policy produces a static condition that is in some degree vulnerable from the notable absence of any genuine buying demand.

Inflation?

Under these circumstances we hear much idle conjecture as to what stimulant Washington may next inject to break the deadlock and to reverse the trend of depression. Nor have all speculative hopes been abandoned that the current Federal Reserve Board credit program will develop into a genuine inflation in which all prices will necessarily advance.

There is certainly no current evidence of inflationary tendencies. On the contrary, commodity prices have continued to decline. Furthermore, the very haste with which the recent stock rally has relapsed suggests that the market itself is by no means convinced that inflation will be accepted as the way out.

As to further stock market help from Washington, it would seem far-fetched to expect any expedient of importance in the near future, regardless of the political exigencies of an election year, for the rabbits that Washington can pull out of the hat are not unlimited. Actually, the sequence of the Federal Administration's depression tactics has been quite simple. Its early ventures in 1929 and 1930 can be dismissed as simply misguided. Aside from them and from the necessary expedient of a moratorium on foreign debts, all subsequent efforts have been confined to the field of credit, which is the only approach available.



~ JAN. 17 TO FEB. 10 ~

Relative Price Stability Suggests the Market Is Waiting for Tangible Evidence of Spring Business Improvement. Meanwhile Shrinkage in Short Interest Tends to Restrict Range of Fluctuation.

By A. T. Miller

The National Credit Corporation, the Reconstruction Corporation and the relaxation of the previous restrictions imposed upon the Federal Reserve System were all steps along the same line. The one now taken in relation to the Reserve System is basic and far-reaching. A period of months at least will be required to test its results. Meanwhile, it is difficult to see why the Administration should do much more than stand pat.

There is going to be ample credit available. It remains to be seen whether it will really flow freely to those who most need it and whether others, able to offer sufficient security, will see any business reason to avail themselves of it. We have learned in the past few years that easy credit is a far less powerful regulatory force than was formerly believed.

Easy Credit Reduction in the re-discount rate of the Federal Reserve Bank of New York to 3 per cent is part and parcel of the lately renewed and decidedly altered easy money campaign. This action, like previous changes in the rate, can hardly be expected to have any immediate influence upon the course of business. It may bring further improvement in the bond market but is unlikely to have any effect upon stock prices.

There can be little doubt as to what the share market is waiting for. It is waiting for an upturn in business, still hoping that such a development will occur this spring. Meanwhile, the time of normal seasonal opportunity is getting short. It is not only that we must have an improvement in corporate earning power to justify any substantial advance in stocks, but without such a gain, it is at least questionable whether the market can indefinitely hold the present levels, for while numerous stocks are thoroughly deflated and apparently cheap, various issues, chiefly among the former "Blue Chip" class, are still selling at a rather romantic appraisal of current and near-prospective earning power.

Spring or Autumn Throughout the bear market one of the most frequent speculative mistakes has been to assume that prevailing prices fully discounted earnings reports yet to be made public. If there is even a modest beginning of industrial revival in coming weeks, it would be easily possible for the market to ignore the first quarter corporate reports, which, in the aggregate, will compare very unfavorably with those of 1931. Without such a business change, however, it would not be surprising to find some further deflation of stock prices necessary, although the movement may well be much more irregular and quiet than previous liquidation.

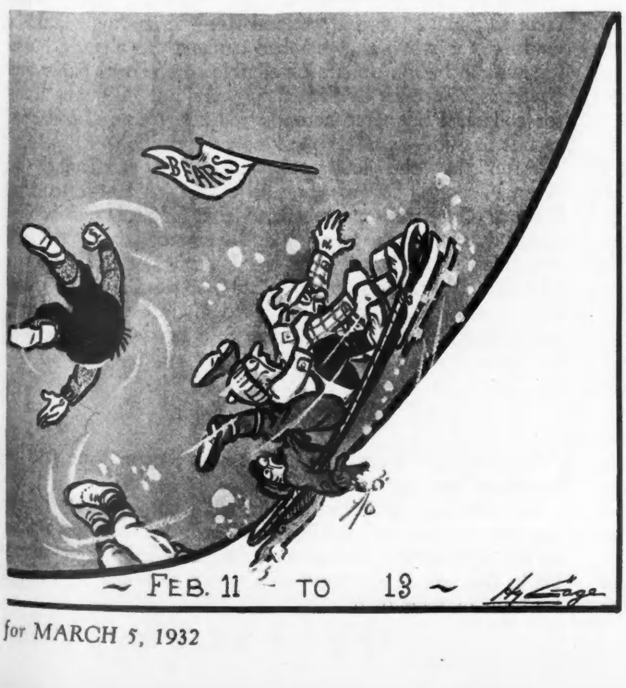
From a speculative standpoint, the worst aspect of the business situation is that if improvement does not occur this spring it will be necessary once more to defer hope until autumn, giving the market a rather long and trying interval of discouragement.

In this connection it appears somewhat unfortunate that Washington is now making such insistent efforts to "talk up" public confidence on the basis of a change for the better in the credit situation. Improvement here is a step in the right direction, but only one step, and official optimism runs the danger of setting up unjustified expectations. Credit relaxation in the long run probably will help business, but until it does, investors have little cause to rely too heavily upon the assumption.

Since the enlarged powers of the Reserve System are not yet in actual operation at this writing, it is too early for justified disappointment in the current trend of business. Yet much has been made of the psychological benefits of the remedial program and it has been said that it probably would not be necessary for the Reserve Board to exercise to the full the authority granted it under the Glass-Steagall bill. In other words, the mere knowledge that credit was available would ease the strain.

The advices of this publication since last December have been constructive and its longer range attitude is unchanged. It continues, however, to recommend that selected stocks be purchased either on a scale-down basis in periods of market reaction or after definite business gains become clearly apparent, and not under any other conditions. It sees no ex-

(Please turn to page 630)



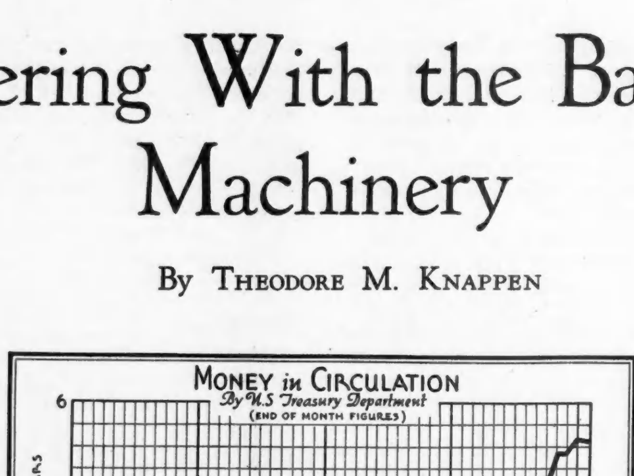
The Glass-Steagall bill is designed to strengthen our gold position, prevent bank failures and draw funds from hoarding.

A degree of inflation is possible in the means chosen to accomplish these ends. Will it be controlled inflation or must business face another period of excesses?

Tinkering With the Banking Machinery

By Theodore M. Knappen

DESPITE large increases in the volume of money in so-called circulation it is practically scarcer than ever. It is sought after more as a preferred commodity—as a means of storing and conserving wealth—than as a passive medium of exchange. As prices go down it comes to have more and more of a commodity value. Hence Washington has concluded that since limitation of production of commodities does not check the fall in prices and start them upward the thing to do is to increase still more the volume of money—and encourage the expansion of credit—and thus deprive it of its scarcity value. Hence the Glass-Steagall amendment to the Federal Reserve Act which is designed to make money, whether hard cash or bank checks, more plentiful.



You can call that anti-deflation, reflation, stabilization or any other pretty name you may have in your vocabulary. But the fact remains that whatever it may become it is at the moment inflation. It may be the only thing to do, it may be the only way to overcome morbid deflation but just the same it is inflation, artificial inflation.

Senator Glass to the Rescue

The Reconstruction Finance Corporation is one form of artificial inflation but rather in the negative sense suggested by the simile of patching the holes in an automobile tire to stop leakage of air. The Corporation had scarcely started to apply patches before it realized that by the time it has filled up the multitude of perforations it might have nothing but a perfectly good flat tire. It cried for air—and quick. It wanted air—money—pumped into the tube faster than it was hissing out.

Senator Glass who had been working for more than a year on a bill for general reform of the Federal Reserve Act which was on the whole deflationary, restrictive and disciplinary, rather than inflationary was called upon to put himself into a quick reverse, defer his general bill and bring out an emergency measure headed for inflation. The author of the Federal Reserve Act demurred but bulletins from the front regarding critical banking situations came in so fast that he gave way and joined, although with some disapproving expressions, in the general cry for more money. But every once in a while he had to protest that it didn't seem to make sense that Federal Reserve lending should be made easier when the member banks were already bursting with 8 billion dollars of eligible commercial paper and government securities that they were not only not using for collateral but were actually reducing pledged collateral as fast as they could through loan contraction.

After that the floodgates were down, particularly so when General Dawes, president of the Reconstruction Finance Corporation rushed to the Capitol and behind closed doors told the banking and currency committees that both Hell and Maria would break out volcanically in certain critical banking spots unless Congress acted at once. Only 18 votes could be mustered against the emergency recasting of the Federal Reserve System in the House and the Senate didn't bother to take a record vote.

What It's All About

The change in the Federal Reserve Act may be said to consist of two parts.

The first one is designed, through changes in the discretionary authority of the Federal Reserve Board and Banks to use the Reserve System as a means of helping or saving banks that are in a precarious position through no particular fault of their own.

The other part is more general and fundamental in that it gives the Federal Reserve Banks the power to use Government obligations as security for currency beyond the 40 per cent gold reserve required by law. At present the other 60 per cent of such collateral must be either commercial paper or, lacking the paper, still more gold.

The direct banking relief features consist of (1) a provision for groups of banks to unite to borrow jointly from the Federal Reserve Banks on their notes backed by such pooled collateral as the Federal Reserve Board may accept, and (2) of a provision that in certain exigent circumstances an individual bank may borrow on approved collateral that has not hitherto been eligible. Under No. 1 a number of banks lacking eligible collateral may get together for improvement of their common situation, or strong banks may enter groups in order to help their neighbors. No. 2 affords a life-saver for small banks that can not easily form groups. Such banks can appeal for greater liberality of collateral on their own account. Both classes of banks must show that they have already rediscounted all their ordinarily eligible paper before they can ask for more tolerant treatment. In a general way the authorization of hitherto banned collateral is to meet the hard situation of many banks resulting from the fact that the sort of business they do and must do, to serve their communities does not produce much commercial paper of the kind that the Reserve Banks specify. This is particularly true of rural banks. They are, therefore, automatically, out of the benefits of the Federal Reserve System to a very large extent. As an emergency measure they are to be permitted to participate in the System's loan benefits. No bank with more than 5 million dollars capital can benefit from the individual liberalization, but there are only a few of them. Moreover, the time limit on broader collateral permissibility is fixed at two years. Finally there are the checks that first the Reserve Banks may not be willing to lend more freely, and second, that the permission of the Federal Reserve Board must be specifically obtained.

Left-Handed Inflation

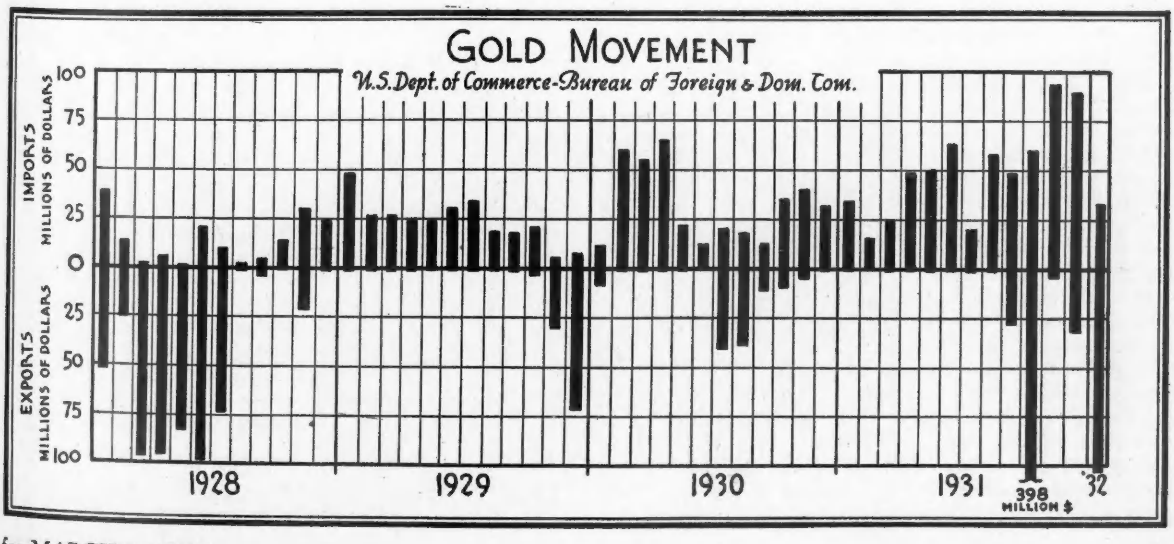
In a way this widening of collateral is inflation, for it permits credit from the Reserve Banks of a doubtful sort that has hitherto been denied. It may lead to some frozen paper transferring its abiding place from a member bank to a Reserve Bank. On the other hand this marginal collateral is not eligible as a basis for currency issues. A Federal Reserve Bank can not put it behind its bank notes. Consequently there can be no currency inflation from this source.

Some banks are safe and sound because they have virtually ceased to act as banks. Others are up against it because they have overstrained themselves in serving business in a most abnormal time. The latter type of bank will not longer have to stand without the pale of the nation's banking system. It is expected that by virtue of this change in the law many banks that are somnolent will be stirred to activity and that some others will be saved from suspension through ordinary banking channels without resort to the Reconstruction Finance Corporation. This will leave the latter free to deal more with the cases, banking and business, where only measures of an extraordinary nature can be of avail.

Inflation With Bells

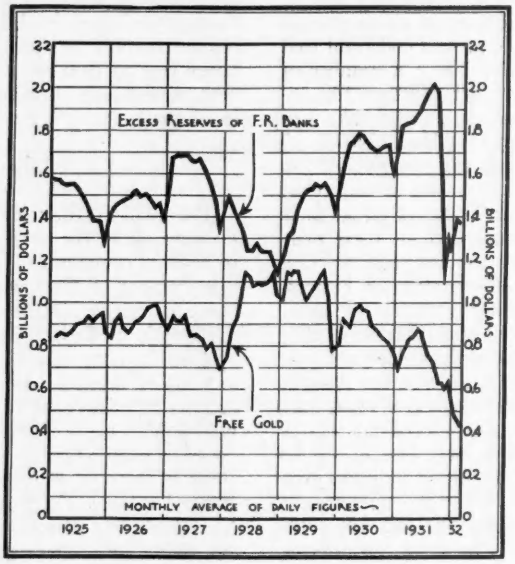
The real inflation possibilities of the Glass emergency measure lie in the authorization to Federal Reserve Banks to replace commercial paper with direct obligations of the Government of the United States as collateral security for currency issues. Heretofore a Reserve Bank has had to keep with its Federal Reserve Agent 40 per cent of gold against its note issues plus as much more gold as it was lacking in available commercial paper. If it were entirely lacking in such paper it would have to put 100 per cent of gold behind every dollar of paper money it issued. Take a concrete example: Let us suppose that the Federal Reserve Bank of New York wished to issue 100 million dollars of Federal Reserve notes and that it had only 25 million dollars of eligible discounted commercial paper. It must put up 40 million dollars gold, first of all; next it puts up its 25 million dollars of commercial paper. Being still shy of the 100 million dollars collateral required it had to deposit 35 millions more gold. Thus instead of the 40 millions reserve required by the law it was compelled by circumstances to pledge 75 millions of gold. The result is that in these times when member banks are reducing their debts to the Federal Reserve Banks the latter have to transfer more and more gold from a free to a pledged status in order to duly support the currency.

The free gold of a Reserve Bank is its gold over and above the 40 per cent it must deposit against its note issues and the 35 per cent it must keep on hand as against its deposits, plus any additional amount of gold it has to put behind note issues because of lack of commercial paper.



Only 24 per cent of the Federal Reserve System's gold is in this free or unpledged condition. The System now has only 428 million dollars of gold for new uses as against about 1,300 millions when it was lending freely and, so, had an abundance of commercial paper. As its excess of gold increases its mobile gold decreases.

Its capacity to indulge in open market purchase operations is, therefore, greatly circumscribed. Moreover, it is in a weak position as against foreign raids and hoarding raids on its gold. If, for example, France were to try to take 500 million dollars of gold out of the United States, the Reserve would be shy of the necessary free bullion to redeem the notes that would be presented, and except for some emergency resort would be forced off the gold standard. That standard it must be remembered, rests solely on the full and free convertibility of other money into gold. Yet at the very moment that such a catastrophe happened the Reserve might have a great excess—as is now the case—of gold over and above the legal requirements.



So, one reason for asking Congress to change the law was to enable the Federal Reserve to increase its free gold by decreasing its excess of reserve gold. This is done by using Government bonds for collateral in place of the commercial paper that is so scarce in these quiescent times, when the banks are afraid to borrow for fear the Reserve banks might do unto them as they have been doing to their borrowers. By increasing their free gold a thousand millions the Reserve Banks are put in a position to defend the country against a raid on its gold, because they will have enough to tell France, or any other foreign country, as one Congressman said the other day, "to take its gold and go to hell with it." Attainment of such a condition of impregnability for the gold standard will go a long way to restore confidence in the business world, both in and out of the United States.

Forcing Liquidity Upon the Banks

But probably the chief object in view in making it possible for the Federal Reserve Banks, during a limited period, to substitute Government securities for commercial paper as collateral for currency issues is to *force liquidity on the banks*. Liquidity will, it is expected, be forced onto the banks in two ways. By reason of having so much more free gold the Reserve Banks will be more inclined to issue new currency and better able to do so because they can use the government securities in their portfolios for 60 per cent of the backing of their currency notes. This will enable them to buy government securities more freely and thus put out money. This money will flow into the bank deposits and improve the cash position of the banks—liquidity will be thrust upon them, instead of being painfully self-attained and held by deliberate and ruinous credit restriction. Money coming to them easily and without strings will make them more willing to lend. In normal times a billion increase in bank deposits in this way could carry ten billions of commercial loans. The amended law thus gives the Reserve Banks more of a credit initiative than they have had.

Ordinarily the Reserve Banks while compelled to receive Government securities as collateral (under certain restrictions) for their loans, can not use them with Reserve Agents as collateral for note issues. It is expected, too, that with the assurance that "Governments" can be used as the basis of Federal Reserve note issues the commercial banks will be less fearful of borrowing and putting up commercial collateral for rediscounts. Thus it is hoped the fear will be taken out of banking.

All of this is plainly license to force money and credit onto a banking system which continually calls for less and less. That, if used, is nothing but inflation, forced inflation. So is the pumping of oxygen into deflated lungs, but it saves life and restores the body to normal functioning. The danger of inflation is not when it is used to restore business life, but what is done with it after restoration. If the business patient fails to respond to inflation no harm is done. If he be still inflated after he has begun to function again, great harm will result.

It is noted that in England there has as yet been no inflation of currency or credit as a result of the business stimulus given by suspension of the gold standard. Inflation is theoretically controllable, so far as it occurs through any initiative of the Federal Reserve System. Whether it will be controlled is something else. History records that it almost always runs to wild extremes.

Relation of Money Scarcity to Prices

Advocates of artificial stimuli at this time contend that at least half of the drop in commodities and a large part of that in securities during the past two and a half years is due to money shortage—both cash and bank deposit money—checks. They contend that if money is made plentiful enough to lose its current scarcity value, 15 of the 30 lost points in commodity price levels will come back automatically. With such a recovery confidence would be restored and business could then carry on normally.

Looking at it in that way, they say that while we ought to have relative inflation now it is only corrective inflation, merely offsetting artificial deflation; resulting from a banking system that is not geared to depression. If the errors of faulty banking are not deliberately cured it is predicted by some economists that the recent rate of credit shrinkage —25 per cent a year—will continue until commodities and securities take a still further and much more destructive plunge. Admitting the possibility of dangerous inflation, once inflation is attempted, they argue that nothing that could now happen in that direction would approach in extent and severity the collapse that impends if credit and prices fall much further.

For the time being the admission of Government securities to the eligible collateral list gears the Reserve System

(Please turn to page 630)

New Farm Economy May Lead Business Recovery

Low Prices for Its Products, Bank Failures and Mortgage Difficulties Have Made the Path of Agriculture Unduly Thorny But Diversity of Crops Is Pointing the Way to Better Times

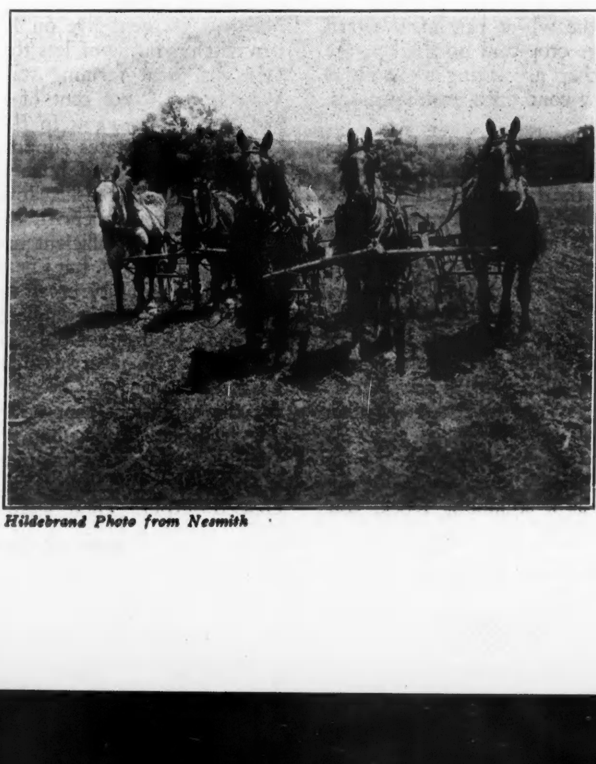
By C. S. Burton

Editor's Note:—The writer of this article has himself been a plain "dirt farmer." He has shared in the bitter experiences of adverse times and tasted the satisfaction that comes to those who derive their living from the land.

THERE could be no more cheering news than to learn that some part of the clamoring crowd, crying "Help me, Cassius, or I sink!", demanding aid in every form, from dole direct to unscalable tariff barriers, had determined to test the truth of Sidney's admonition that "God helps those who help themselves."

And this is precisely what a substantial portion of the farm population gives evidence of doing. By the practice of crop diversity they are solving the problem of subsistence. Bereft of real money and with profits in many cases extinct the farmer at least is adjusting himself to present conditions. Such a development has not been sudden or spectacular enough to feature the front page of the newspapers, nevertheless it is of great significance not only to agriculture but to general business. It gives ground for the belief that farming—the most essential and basic of industries—may yet lead the way out of the economic morass in which the country flounders. Small units, self-contained and diversified in output, is the formula.

Texas farmers, hitherto one-crop cotton-planters, are making long strides in the one right direction of self-sufficiency. Whole counties in that state have undertaken campaigns, based on the farm as a workable independent unit. They are killing and dressing their own hogs, smoking their own hams and bacon, planting kitchen gardens, clubbing together to buy neighborhood steam pressure canning outfits, stocking their individual cellar shelves with extra supplies of home-grown fruits and vegetables.



Hildebrand Photo from Nesmith

From a discouraged farming community Colquitt County, Georgia, has made itself over on the basis of the purest individualistic effort. It is true the local bankers led the way, but in their determination to convert insolvent borrowers to good paying sound farmers they wrought, if not more wisely certainly more effectively than the most ambitious farm agent. No farmer is financed for next year's crop, for new equipment or any other purpose, who does not sufficiently diversify his production to provide for his own family needs and those of his stock without touching his cash reserve. One or two cash crops and the surplus from other produce bring him his profit and provide for the repayment of loans.

A whole county of small farms, moderately successful even in depression has resulted. Why? Because it was insisted that only one acre out of six might be planted to cotton; five acres on a thirty-acre farm, no more. Oats, pea-vine hay, sweet potatoes, millet, corn, velvet beans, watermelons, a kitchen garden, cows, pigs and a poultry yard take the place of the one-crop cotton farm. As a result of this crop rotation, Colquitt County farmers grew more than ⅔ of a bale of cotton to the acre in 1930 as against less than ¼ of a bale to the acre average under the old system and the County has 60,000 acres released for something else than cotton. Mortgages have been paid off; homes have been improved and the morale of the farmers is an asset not to be reckoned in money values.

Some 50 million dollars of the recent appropriation for the emergency Reconstruction Finance Corporation had to be allocated to the Department of Agriculture, in order to secure the "farm bloc" support for the measure. This money is for loans direct to farmers. One is impelled to proffer the suggestion that

the Department might study with great profit the methods used by the bankers in Colquitt County. The Georgia bankers' plan shows one great advantage over Farm Board Stabilization plans; the Georgia bankers' idea worked.

Nesmith and Publishers' Photos

The realization is growing that other crops may prove more profitable than such superabundant staples as wheat, corn and cotton

Perhaps the greatest revelation that has been brought out against the background of the slope down which we have coasted since the autumn of 1929, is that of the importance of agriculture. To those converted to a faith in industrial progress, as distinguished from agriculture, believing that the former might show healthy growth while the latter languished, the revelation is surprising. It now becomes disconcertingly obvious that there may be no permanence to prosperity except it rests safely upon the land. Perhaps to some it is even more surprising that the drastic curtailment of the purchasing (or, the debt-paying power) power of the farmer can so definitely retard our economic progress.

The closing of innumerable country banks has worked hardship, unmerited hardship, upon many farmers; but, bitter as such hardship may be, it will have some substantial credit if it brings to the farmer a fuller realization of his own potential and inherent resources.

Meanwhile, the farmers in the wheat belt of Western Kansas, where there was a huge crop and no market, are not starving. They feel that they are eating some bitter bread, but they are meeting new conditions, making necessary re-adjustments.

For example, these very Kansas farmers have been held out as leaders in the "mechanization" of the farm. Now, they are reported to be making the farmsteads into homes, as, indeed, they were always meant to be. Farms, where, heretofore, there was hardly an animal "on the place," are now beginning to boast of beef calves, dairy cows, silos, alfalfa, pigs, sheep, poultry, kitchen-gardens, root cellars, smoke houses. The realization is growing that the "Wheat Belt" or the "Corn Belt" need not be dedicated to these crops alone but are adaptable to the production of almost any crop that grows in a temperate clime. It may take a few carefully constructed wind-breaks or other special provisions but it can be done.

Notwithstanding talk of the super-mechanization of the farm, combines and cotton pickers; notwithstanding the portrayal of the small farmer as a stumbling block, conspiring to halt the application of mass production methods to the land, we hear, too, of country bankers blue penciling the card of the farmer who wants to go in for tractors and two-row cultivators.

It may be possible that this attitude will change somewhat the catalogue of farm expenditures. Companies producing heavy farm machinery may feel reduced sales. In future purchases, instead of a tractor, there may be some poultry yard equipment, possibly a cream separator and some fencing to close in a cow pasture; some labor saving hand tools for the garden, a wheel-hoe instead of a combine. One may be sure that as this kind of farming absorbs a larger proportion of farm population there will be increased expenditure for the things that go to make the home itself comfortable, and its operation easier.

Certainly this will be the policy of the small farmer and his numbers are larger and likely to be augmented as the one crop idea gives way before more diversified production —usually involving less acreage.

There are ten million people living on farms of less than fifty acres. In 1925, 60 per cent of the farm population of the United States lived on farms of less than 100 acres. Now 40 per cent live on farms of less than 50 acres; 15 per cent on farms of less than 20 acres.

In the great farming states of Indiana, Michigan and Wisconsin, 24 per cent of the farms are under 50 acres; in Ohio, 30 per cent; in Illinois, 20 per cent.

Even in the states supposedly devoted to the gospel of "mechanization" and huge acreages, the Dakotas, Minnesota, Kansas, Nebraska, Iowa and Missouri, 15 per cent are small farms under 50 acres.

These are self-sufficient units. They have their problems, these small farmers, but one does not hear that any of them stand in community bread lines this winter.

Of course, the big single crop producer faces more of a problem. He has not only sold his output at a loss but has little money to meet his living demands or the expense of next year's crop. Yet he cannot be held entirely responsible for the conditions that have overtaken and, more or less, engulfed him. In common with every other line of activity, agriculture concentrated upon production. It seemed to the big producer that lower prices could be overcome by increased output. There were broad acres around him, there

was machinery and the installment contract; industry and nature performed their roles accurately and completely and lo! the profit disappeared. The capital invested in farm lands shrank until fertile acres are today the cheapest thing in the whole country.

Meanwhile it has become painfully evident to the farmer that bountiful crops and his own prosperity do not necessarily go hand in hand. The arguments for lowered costs and unrestrained competition do not appear to him to promise a solution of his problems. Dependent upon rainfall and sunshine, the tiller of the soil has no basis for any price cutting, competitive schedule. In such a contest, he loses before he starts.

In 1931, the Southern cotton-planter, having had decreased acreage dinned into his ears, planted and harvested 40,889,000 acres of cotton, against 45,091,000 in 1930. The acreage was reduced by 9.3 per cent; the fertilizer was cut down about 30 per cent, and Nature bestowed upon him the most bountiful crop, with only one exception, ever picked in this country and of super-quality.

The cotton planter's profit disappeared just as did that of the Kansas wheat farmer. It would be difficult to imagine a more striking illustration of the manner in which competition does *not* fit into agriculture.

It may well be that agriculture is to be the first of our industries and our developments to bring home to us the inexorable working of the law of diminishing returns.

The market for many farm products is weighed down by a degree of overproduction, aggravated by a decrease in effective demand.

The corn crop of the United States, in 1931, was 2,556,863,000 bushels. This does not seem excessive when it is observed that the average corn crop from 1899 to 1931, inclusive, was about 2,650,000,000. But corn comes to market "on the hoof." The record low prices for all kinds of live stock signifies to the farmer the necessity for a greater degree of diversification. Corn fields, cotton fields, wheat fields must break up into the self-sustaining, self-sufficient unit which markets its surplus only.

Our wheat crop for last year was 892,271,000; the average for the same thirty-three-year period, just mentioned, was about 840,000,000 bushels. There is a long array of figures covering Argentine, Canadian, Australian and Russian wheat, all of which comes into competition normally in the world market with our own wheat.

Wheat grows in all kinds of climates. In the soft climate of the Argentine; in a rigorous climate like that of Northern Canada, with a short summer season; all across the great Russian steppes. There is an increasing tendency to produce more everywhere. Our export markets are not only currently constricted but will in all probability continue to be. What wheat we grow must be largely for our own consumption. The answer is, for our farmers, a greater diversity of output, the discarding of the one "cash" crop idea. There is no real nourishment for the farmer in an effort to compete for supremacy in the world wheat market. Why should the farmer in this country wear out himself and his land to produce wheat for the world market, when the moment his production just suffices for home consumption he has the advantage of a tariff of 42 cents per bushel and a large part of his land released for other crops?

Nesmith Photo

In cotton, the situation is nowise different. If the cotton planters follow the example of Colquitt County, Georgia, devoting much less acreage to cotton, they may complacently watch Russia struggle to capture the Liverpool market.

There is nothing sacrosanct about corn or wheat or cotton, American tradition more or less to the contrary notwithstanding. Turnips are a better crop if they show a better net return. Instrinsically, the problem, anyway, is not that of profit in the first instance. It is a problem of self-sufficiency, of comfort, of independence; the profit is just whatever there may happen to be over, above and beyond such provision.

This thesis disrupts many traditions. It obviates most of the false economic plans projected for the relief of agriculture. It antagonizes our desire to do things in a "big way." It makes, however, for a broad basis of solid prosperity. It points the way for an increasing proportion of our population to be self-sustaining, independent of a payroll.

As a matter of fact what is suggested here is not to be, by any means, a mere matter of choice; economic pressure will bring to pass a large part of what is outlined.

Take the case of cotton. It is our largest single item of export. The average cotton crop over the thirty-three-year period which we have had under review has been in round figures about 13,000,000 bales. Owing to ideal crop conditions, the 1931 production ran to just under 17,000,000 bales. There is a huge world carryover.

Prices have sunk under the weight of supply and efforts to check their decline or resuscitate them have only proved the futility of bureaucratic meddling with marketing machinery. Indeed the huge domestic carryover, a large part of which is lodged in the hands of the Federal Farm Board is, in no small part to be held due to attempts at "stabilization" in the effort, allegedly, to relieve the farmer.

Under present conditions such a happy prospect seems impossible. Although there is encouragement in the fact that acreage planted to cotton is expected to be less than last year. Fertilizer tax sales are far below the usual volume for the first two months of the year and a better return on a smaller crop is conceivable.

Wheat is in a similar position. Last fall's plantings are estimated to be 15 per cent below those of a year earlier and growing conditions, up to date, have not been particularly favorable. Lack of moisture may curtail spring planting. But, even if our wheat acreage is somewhat cut down the wheat exporting countries will still have more than enough wheat for the world market's effective demand. It is not altogether overproduction; some of the wheat exporting countries still eat black bread. "The shoemaker's children go barefoot." And until world consumption is increased the prospect of permanently higher prices is not bright.

The position of these two major crops, wheat and cotton, serves again to emphasize the weakness of the

(*Please turn to page 632*)

What Corporate Statements Show

Despite Unfavorable Conditions of 1931 Many Companies Have Strengthened Their Position and With the First Improvement in General Business Should Experience Favorable Profit Trend

By LAURENCE STERN

The year 1931 worked havoc with corporate profits and with dividends but these are temporary, rather than fatal, wounds. The reassuring fact is that the majority of important companies were able either to conserve their financial strength or to increase it. This, together with the operating readjustments reflected in the annual reports, offers strong promise that business revival will find the average company better equipped than ever before for the next period of progress.

THE annual corporate reports now coming to hand constitute the casualty list for the business battle of 1931. That they show a considerable number of financial wounds is only what was to have been expected, in view of the acute slump in general industry during the last year. It will pay investors, however, and perhaps surprise them to look behind the obvious summaries of profit and loss, for the picture is by no means all black. Indeed, in many respects it offers convincing assurance that the average American company is now prepared to respond with maximum efficiency to even a moderate revival of general business.

It is only under conditions of extreme adversity that corporate management meets its supreme test. To measure the result merely in terms of profit or loss is superficial and misleading. Obviously, under existing conditions, it is easier to operate a public utility with profit than a steel company. A deficit for one corporation may actually represent more intelligent and more efficient management than a profit for another.

Earnings Generally Lower

At first glance there is little encouragement in the fact that out of some 300 1931 reports thus far issued by important companies, only approximately fifty show larger profits than in 1930. And among this fifty are numerous utilities, chain store systems and tobacco companies for whom the difficulties of depression are minimized by their innate characteristic of relatively stable consuming demand.

But upon closer inspection it will be found that many companies, not at all favored by special circumstances, were able to show smaller losses in 1931 than in 1930. And in a still larger number of companies the percentage increase in losses from 1930 to 1931 was less than the percentage decline in general industrial activity.

It is corporate performance of this kind which indicates effective internal readjustment to new conditions and which holds promise of a fast reversal of the profit trend when operating conditions change for the better. In this respect the annual balance sheets offer much more interesting reading and fundamentally sounder investment clues than do the earnings reports.

The balance sheets show a rather general, although moderate, decline in working capital, but this is due less to decline in holdings of cash and marketable securities, which on the average remain at approximately the 1930 level, than to a very broad decline in inventories. The latter change is found in fully 80 per cent of the reports. Its effect, together with that of other fiscal adjustments, is to raise the ratio of current assets to current liabilities of a majority of corporations to a figure higher at the close of 1931 than in 1930.

A few typical examples of balance sheet improvement merit attention. E. I. du Pont de Nemours & Co. closed the year 1931 with cash and marketable securities of $68,722,516, or $6,206,604 more than company's highest previous holdings, recorded in 1930. Cash was increased from $20,611,310 to $20,761,887 despite investment of $8,105,050 in the company's common stock during the year.

Substantial declines in accounts receivable and in inventories contributed to this strong cash showing, the total decrease of these two items being $8,321,998. Inventories were brought down from $39,457,080 to $33,564,317. The ratio of current assets to current liabilities was increased from 9.36 to 1 in 1930 to 10.6 to 1.

Increasing Financial Strength

Drug, Inc., showing slightly smaller earnings than in 1930, closed the year with cash and Government securities of $26,217,832, as compared with $23,573,864 a year earlier. Inventories were reduced from $26,281,755 to $24,507,521. Funded debt was cut from $43,862,987 to $41,848,174. Working capital increased from $47,842,525 to $48,888,563 and the ratio of current assets to current

liabilities increased from 4.8 to 5. Earned surplus at the end of the year had increased to $24,974,782, as compared with $19,547,541 in 1930, $12,633,865 in 1929 and $5,621,799 in 1928.

The Caterpillar Tractor Co. reported profits of only $1,361,200 for 1931, as compared with $8,714,801 in 1930, and working capital declined from $31,845,226 to $26,735,995. But inventories were slashed from $15,537,178 to only $9,506,692 and holdings of cash and marketable securities almost doubled, increasing from $4,234,594 to $8,317,970. The net effect was virtually to double the company's ratio of current assets to current liabilities, the figure rising from 16.5 for 1930 to 31.8 for 1931.

Something approaching managerial wizardry is indicated in the report of the J. C. Penney Co., which increased its profits by 7.5 per cent, although the sales volume of its stores was 9.97 per cent less, in dollars, than in 1930. Net earnings of $8,913,565 were $622,943 larger than in the preceding year. The Penney balance sheet shows the strongest liquid position in the company's thirty-year history. Cash and Government securities at the close of the year amounted to $13,752,229, as compared with $12,270,083 a year earlier. Current assets were $50,085,177 and current liabilities $4,328,287, a ratio of 12 to 1, as compared with current assets of $48,231,990 and current liabilities of $3,969,319 at the close of 1930.

High Current Asset Ratio

Earnings of Trico Products, manufacturer of automobile accessories, declined from $1,908,415 in 1930 to $1,762,550 in 1931 but the loss was almost entirely in non-operating income, operating profit of $1,983,065 having virtually matched the $1,999,605 total of 1930, despite an acute decline in automobile activity. The explanation here is that the gap was taken up by new products. The Trico balance sheet shows total assets of $7,276,634, of which more than 70 per cent, or $5,063,659, constitutes current assets. Cash and marketable securities of $3,458,669 are almost half of total assets and twice the balance sheet valuation placed upon physical properties. In respect to inventory, surplus, working capital and financial liquidity improvement is shown.

Depression is reflected in the Frank G. Shattuck Co. in a moderate decline in earnings but with a substantial strengthening of the fiscal position. Inventories were cut from $1,993,220 to $1,500,000 during the year and working capital was increased from $5,635,956 to approximately $6,700,000. Of total current assets of $7,900,000, about $5,400,000 consisted of cash and marketable securities.

The Philadelphia and Reading Coal & Iron Corp. not only increased its earnings from $1,026,055 to $1,360,295 but improved virtually every important balance sheet item. Cash holdings were increased by $2,377,514, surplus increased $1,346,664 and funded debt was decreased by $1,133,100.

Companies Earning More in 1931 Than in 1930

	1931	1930
P. Lorillard Co.	$4,846,373	$3,614,363
Congoleum-Nairn	1,239,666	208,839
United States Tobacco	3,020,779	2,950,818
Brooklyn Union Gas	5,664,802	5,354,732
Kroger Grocery	2,731,128	2,168,247
Owens-Illinois Glass	2,744,181	2,738,540
Chrysler Corporation	1,468,935	324,155
Zonite Products	953,177	714,336
Pennsylvania Power & Light	10,510,028	9,357,743
Detroit Edison	11,277,277	10,856,045
Hazel-Atlas Glass	2,490,333	1,528,610
J. C. Penney	8,913,565	8,290,622
Quaker Oats Co.	6,856,592	6,003,860
R. J. Reynolds Tobacco Co.	36,396,817	34,256,665
Auburn Automobile	3,579,849	1,018,331
Devoe & Raynolds	334,590	132,299
Telautograph Corp.	359,273	351,360
Mapes Consolidated Mfg. Co.	641,616	632,903
American Snuff	1,916,132	1,893,049
Pacific Tel. & Tel.	18,807,575	17,652,356

The working capital position was also bolstered, amounting to $21,111,052, as compared with $19,618,966 at the close of 1930.

Report of Kroger Grocery shows both a moderate gain in earnings and broad improvement of financial position. Working capital was increased from $19,583,517 to $20,278,307, cash and marketable securities from $6,587,756 to $7,884,340 and ratio of current assets to current liabilities from 3.1 to 4.2.

Reducing Capitalization

The balance sheet of Congoleum-Nairn shows continuation of the policy of reducing capitalization. During the year it paid out $752,074 in dividends, $378,100 for purchase of its own bonds and preferred stock for retirement, $1,424,559 for purchase of its own common stock for retirement, and yet increased its holdings of cash and Government securities by $2,120,940 to a total of $10,060,327. Inventories were reduced by $2,395,070. Current assets at the end of the year were $17,181,356 and current liabilities only $544,887.

Chrysler Corp. earned moderately more in 1931 than in 1930 but, of greater long-term importance, its cash and marketable securities were increased from $41,644,401 to $50,232,835, its funded debt was reduced from $47,583,000 to $44,411,500, working capital was increased from $62,574,262 to $64,992,413 and ratio of current assets to current liabilities was advanced from 6.4 to 6.7.

Air Reduction Co. shows an increase in working capital from $16,760,689 to $17,459,727, a substantial decline in inventories, a gain in cash and marketable securities from $13,717,384 to $15,103,700 and an increase in ratio of current assets to current liabilities from 10.6 to 11.7. With Underwood-Elliott-Fisher there were moderate declines in working capital, inventories and cash but the all-important ratio of current assets to current liabilities increased from 12.0 to 15.2. United States Gypsum increased working capital, cash holdings and current asset ratio, despite reduced earnings.

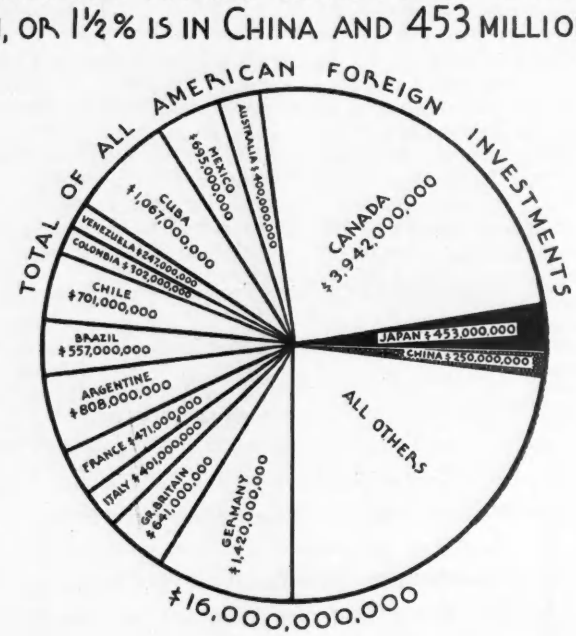
A few of the other companies exhibiting improvement in liquid strength include Continental Can, Lambert Co., New York Air Brake, Jewel Tea, American Chicle, Continental Baking, Munsingwear, Inc., Cluett, Peabody & Co., Commercial Solvents, Dresser Manufacturing Co., Devoe & Raynolds, General Cigar Co., Sears, Roebuck, Atlas Powder, S. H. Kress, Florsheim Shoe, Reynolds Tobacco, Sharp & Dohme and P. Lorillard Co.

In a few instances the most drastic capital revisions were made, thus, American Woolen Co. wrote off a total of $20,948,974 against surplus in order to establish sound and conservative valuations for all assets. It charged off $7,416,827 in transferring to a liquidating company unproductive properties, including twenty odd mills which are being

(Please turn to page 624)

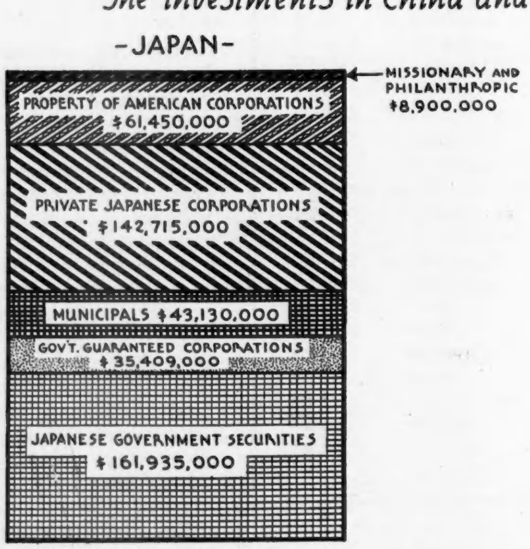
Our Stake in China and Japan

U.S. PRINCIPAL INVESTMENTS ABROAD TOTAL ABOUT 16 BILLION DOLLARS. OF THIS AMOUNT 250 MILLION, OR 1½ % IS IN CHINA AND 453 MILLION OR 2.8 % IN JAPAN.



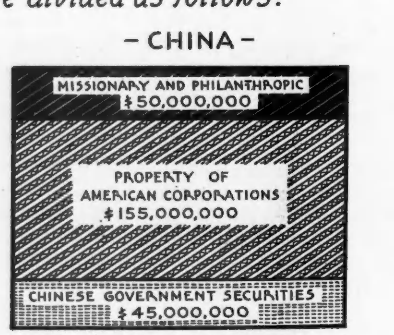
The investments in China and Japan are divided as follows:

-JAPAN-



Total $453,539,000

-CHINA-



Total $250,000,000

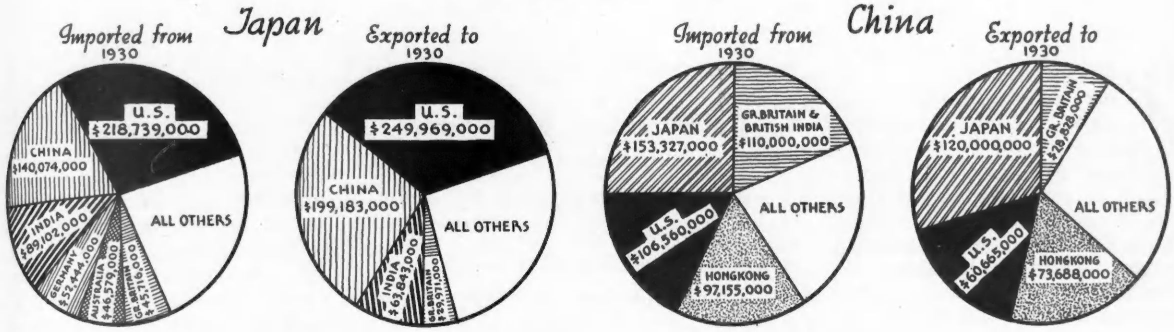
Our investments in China of 250 million dollars are small when compared with the total of all foreign investments in that country of $3,500,000,000. Of this total Japan has $1,153,000,000 and Great Britain $1,266,000,000

About 50 commercial or industrial enterprises in Japan are American owned or substantially controlled. Our investment interests center in Tokyo and Yokohama districts. There are 2,715 American citizens in Japan proper.

In China there are 6,875 American citizens and 566 American firms and enterprises are represented. These are principally in the Shanghai district and include such representative companies as Standard Oil of N.Y., Dupont, Eastman Kodak, Liggett & Myers, Goodyear, John Wanamaker, Aluminum Company, Colgate-Palmolive-Peet, Baldwin Locomotive, International Harvester, Texas Corporation, Ford Motor, National City Bank.

A Graphic Presentation *By Charles Benedict*

THE U.S. IS THE BIGGEST FACTOR IN JAPAN'S FOREIGN TRADE. WE ARE HER LARGEST CUSTOMER; SHE BUYS MORE FROM US THAN FROM ANY OTHER NATION. JAPAN IS OUR FOURTH LARGEST CUSTOMER.—JAPAN IS THE MOST IMPORTANT COUNTRY IN CHINESE FOREIGN TRADE WITH THE U.S. IN SECOND PLACE. TO US CHINA IS OUR SIXTH LARGEST CUSTOMER.



Balance of Trade with United States

Japan takes about 5% and China 3% of all goods that we export.

This Trade is Composed of the Following Principal Items:

—Figures Refer to 1930—

We Sell to Japan	
RAW COTTON	$65,910,000
IRON & STEEL PROD.	14,257,000
PETROLEUM PROD.	19,292,000
LUMBER	9,300,000
MACHINERY & ELEC. EQUIPMENT	9,776,000
AUTOMOTIVE PROD.	8,243,000
WHEAT	6,483,000

We Buy from Japan	
RAW SILK	$221,468,000
SILK TISSUES	2,682,000
TEA	3,897,000
POTTERY	4,031,000
CRAB MEAT	4,188,000
CAMPHOR	976,000

We Sell to China	
RAW COTTON	$22,000,000
KEROSENE	19,000,000
TOBACCO PRODUCTS	16,000,000
WHEAT FLOUR	11,000,000
TIMBER	2,600,000
IRON & STEEL PROD.	4,500,000
ELECTRICAL & INDUSTRIAL MACHINERY	6,000,000
AUTOMOTIVE PROD	2,500,000
DYE STUFFS	2,500,000

We Buy from China	
RAW SILK	$32,000,000
FURS	5,000,000
WOOD OIL	12,500,000
CARPET WOOLS	6,000,000
HIDES & SKINS	5,400,000
BRISTLES	5,000,000
RAW COTTON	3,100,000
BEAN PRODUCTS	2,800,000

IN these times of economic stress the whole western world recoils from the thought of war—no nation more so than the United States. Yet actual conflict is in progress in the Orient, and the degree of our detachment is in proportion to our interests in the countries involved. Our citizens we can protect or call home. Our liquid investments might be sold in part at least, and losses taken, but property and plant investments are naturally in some jeopardy. As the graphs on the opposite page show our investments in China and Japan of some $600,000,000 represent 4.3 per cent of the total foreign stake of the United States exclusive of governmental and war debts.

But our investments by no means constitute our sole stake in the warring countries. Our foreign trade is equally, if not more important. As the circle charts at the top of this page show we are the largest customer of Japan, taking 34.4 per cent of all that she exports. From her we fulfill 85 per cent of our total requirements for raw silk. While we sell Japan less than we buy from her, she took 1,741,000 bales of cotton from us in 1931 (a gain of 850,000 over 1930), 3,600,000 barrels of crude oil and about 1,225,000 barrels of gasoline. Such volume is desirable to both the United States and Japan. But, barring actual war or the suggested economic boycott (in which by the way this country stands to lose more than any other), there is no

(Please turn to page 632)

Small Business Comes Back

Depression Affords Opportunity for Establishment and Successful Operation of Small Enterprises While Big Business Suffers

By John C. Cresswill

Advantages of Small Scale Business

1—Personal management by owner
2—Minimum of red tape
3—Little overhead dead weight
4—Adaptability and mobility
5—Full use of capital
6—Profit from small orders

THE other day, as I was calling on a government official, two men went out one door as I came in the other.

"Those men," said the official, "made a complaint that is right in line with the idea that hard times are the little fellow's opportunity. They said there was undoubtedly an improvement in their business field but that it did them no good. There are lots of small orders developing but they are too small for the big companies to bother with. You can't start up a big mill to handle a number of miscellaneous small orders. Now the little mills, with small capital and slender organization, can handle such orders profitably. It would not be surprising if they get such a good start on the minor manifestations of reviving business that they will be able to grow with the regrowth of business and be among the leaders by the time the crest of the next boom is reached. Some of these little accounts may then be the big accounts."

While anything like adequate statistical support for the prevailing opinion that there is unusual activity and increase of small business enterprises is not available, there is not lacking some substantial confirmation of it. In the month of January more new companies were formed in the state of New York than in any other month in the last two years with the exception of March, 1931. Most of the new companies were moderately capitalized; only two having a capitalization of a million or more, and about one-third of the 2,357 were without par valuation of their stock. There was an unusual number of new companies in the garment industries which suggests the likelihood that men forced out of employment in those industries are starting small industries of their own.

Little Concerns Stick and Get Business

Reports drift in from time to time that show new or small-scale activity in various communities. A Tennessee city reports that 75 new manufacturing industries were started there last year. Another city reports that it is weathering the storm with comparative ease because it has so many small home industries that are so spry and energetic that they are grabbing up about all the business in that territory. This town will have little interest hereafter in trying to induce some big national company to build a branch there. Small concerns can keep going on part capacity, at least, when the mammoths have to close down in the face of an order file that would make small rivals green with envy.

From Richmond, Va., comes the word that home industries, being mostly of a sort that serve the retail consuming trade directly, are a regular life-saver at this time. They are not dependent upon cumbrous, expensive and many-step national distribution. Freights do not eat up margins and collections are right under the boss's thumb.

A New England banker says that his best customers in these days are the small concerns. He looks with a friendly eye on every small business man who comes into his bank. These men are apt to be without loads of dead capital and know nothing of bonded indebtedness. They are not inflated with watered stock, and, curiously enough for a banker to say, are not banker-managed. Another observer remarked that business improvement begins first with small orders, which the little producers can handle—and the humble distributor likes in these times to give his business to his own class of "little fellows."

A Missouri banker reports that when the times started to go sour he began to "lay off" the big companies and cultivate the small ones. He was offered a big account, for his town, with an initial deposit of $50,000. Rather than give offense he accepted it, but carefully segregated the deposits. He shook hands with himself when the big client checked out his entire balance most unexpectedly. The little fellows keep their accounts turning over. A big-city California banker says more and smaller accounts for him hereafter.

Working for Themselves

It is reported that 500 new advertising agencies started last year. Most of them were the ventures of men who had been crowded off the payrolls. Knowing nothing but advertising they have started in business for themselves as being better than loafing. Often they take accounts which they served as employees, and when the skies clear many of them will be found to be firmly established. Hard times have kicked them into a business of their own, which they would not have dared to risk in good times.

Here's another straw that indicates wind direction. Associated Trade Papers, a group of specialized business journals, report that in January they counted up some 150 new advertisers. Nothing was said about the old steadies that were no longer present, but it is a good bet that these

new advertisers are mostly new hands and small ones. They see their chance. The mammoths cannot afford to bother with such picayune business as is floating around these days. The hustling little fellows know that, and so endeavor to get what business there is. Speaking of mammoths reminds one that the prehistoric animals of huge size became extinct, in some cases, because the rank and heavy vegetation on which they fed disappeared with climatic changes. The ten-ton monsters couldn't live on small grass and the like. This is perhaps a suggestion of what may happen to business mammoths if economic weather should be bad for forage a number of years.

The Return to Smallness

Another phase of the excellence of littleness is to be seen in the tendency to decentralize all big business organizations. The grand idea of other days of running a hundred plants from New York by a system of standardized signals is very much passé. The idea in vogue is to put plants and departments just as much on their own as is consistent with teamwork, even taking a chance on some intra-group competition. System, it has been definitely determined, is no substitute for brains. Under pressure of dwindling business some of the perpendicular "trusts" are beginning to dispense with some of their links, preferring to have them in capable, independent hands.

Also, some of the leviathans are finding that they are not so indispensable to the nation as they thought. Big business has been, they find to some extent, a big bluff. Concerns that employ more than 250 people account for only 4 per cent of the nation's industrial payroll, but a much larger proportion of its unemployed. Little stores in little places alone are doing one-third of the nation's retail business. Here is a vast reserve to roll into any holes that may be made by big collapses—here, too, probably are a lot of business captains of the future who will pick up shoulder straps that are being discarded by some overrated brass hats. Hard times are revealing that many supposedly able executives were simply lucky. A hint of the industrial multiplicity and variety of the nation may be gained from the fact that 2,500 independent concerns in various parts of the country sell their product to Henry Ford.

It would be foolish to deny certain advantages of big organizations over small ones in flush times and flush orders, but the point is that these present times are made to order for the hard-scrabble little fellow with his office in his hat and nothing but smart ideas in his head and swift locomotion in his limbs.

One of the interesting phases of the forced come-back of the small independents is that industrial greatness has made their stunt possible. Colossal central power companies, pets of millionaires and playthings of great corporation executives, are supplying the power for the Davids who may rise up and smite their ilk hip and thigh. The Mitchells, the Insulls, and the Dohertys, out of the magnitude of their power production, are furnishing the pigmies with cheap and flexible power to sting the monsters. To get anywhere in the yesterdays the little manufacturer had to build himself a steam power plant; now he simply plugs in on a power line and turns off his power and its cost as he pleases. He can make a start in any old shed or barn. Power companies find herein an amazing increase in revenue when by all the rules it should be declining.

Advantages of Many Small Outlets

A national association of manufacturers has formally stated: "Mechanics who have lost their jobs in factories of various kinds in a series of divided labor are tending to go into business themselves as producers of complete articles." Members of this association manufacture a basic raw material and are disposed to welcome the multiplication of small factories as so many new outlets and champions of their material against competitors. One of these small manufacturers says that he can in many instances turn out a product, with himself as business manager and factory superintendent, at a lower selling price and a bigger profit than big plants.

One such a small manufacturer has persuaded big companies to let him produce equipment for their own use which they have hitherto made themselves, simply because he can do it cheaper, with a good profit for himself, than they can do it.

This small-business tendency, says the above-mentioned association, "undoubtedly will make a far greater degree of economic community self-containment in small towns and cities than has been the rule in recent years." Incidentally it refers to a small city which has been importing about 99 per cent of what it consumes and exporting about the same proportion of what it makes.

Another phase of the hard-times rise of the little people is the rush of small investors to ownership of large corporations. Nine big corporations report 100 per cent more shareholders than in 1929. The modest investor is buying out the big one.

(*Please turn to page* 632)

"Now Don't Quote Me, But—"

As reported by the "Itinerant Economist"

A Word for Bimetallism

I talked with a famous economist about the money problem. He couldn't see a controlled gold standard at all. The only price remedy, to his mind, is bimetallism. "In all the world," he said, "there are only 11 billions of dollars of monetary gold to meet the obligations of more than $400,000,000,000 which press so heavily upon the people of the world. The restoration of silver as a monetary base along with gold is the only way out, the only salvation for the oppressed debtor classes. There isn't gold enough for a suitable base for a managed currency. The base must be enlarged, silver must be added to it. There never was any good reason for its abandonment, and there is no good reason for opposing its rehabilitation, and a lot of reason for favoring it. The present relief suggested by the gold monometallists does not contemplate anything more than the dangerous course of piling more paper money on the already overstrained gold base. The only conservative way to expand currency is to take in silver and broaden the base.

"By the rehabilitation of silver," writes a British banker, "to its time-honored position as a money metal, a new factor in a vastly increased number of buying units at various points throughout the world would be introduced into the present critical economic situation, and this should prove effective in raising the general level of commodity prices. . . . "

We Study Price Management

"The Glass-Steagall bill is evidence to me," said a meditative financier, "that the depression is teaching us something about monetary control. Hitherto any attempt to regulate the price level has been met with the derisive charge of inflation and general financial heterodoxy. England's experience with suspension of the gold standard gives substantial ground for the belief that money, credit and price levels are not as beyond human control as the weather.

"It is really surprising how many men in responsible positions are coming to believe that price deflation might have been checked before it went to unjustified lengths had the central banks of the world and more especially the Federal Reserve system taken thought and appropriate action. The Federal Reserve authorities have hitherto rather disclaimed any power to influence price levels by management of credit, but here they are sponsoring a bill that is officially entitled 'A Bill to Liberalize Credit Facilities,' with the avowed purpose of checking price deflation.

"Actually England did for a century control price levels to a certain extent by managing the gold standard. So long as England was the world's clearing house the gold standard worked satisfactorily. When England lost the ability to manage the gold standard for the benefit of the world as well as herself the power to do so passed to the Federal Reserve System and, perhaps, in less degree to the Bank of France. It is doubtful, though, whether our American central bankers and the financial community, as a whole, are mentally prepared for the job that has been thrust upon them or even understand what it is all about. But it is a job that must be learned and performed, not only nationally but internationally. Isolation in this sense is ultimately impracticable.

"Restrictions imposed on the Federal Reserve and the Bank of France which have made Lombard loans, or note issues against Government bonds impossible, have rendered both banks practically helpless to check an unforeseen and uncontrolled world credit and price deflation which bids fair to become as disastrous as the uncontrolled inflation which they were designed to avert. I believe that the Administration has sensed this but is unable to go as far as it would like because of the stereotype prejudice against inflation and the political complications raised by the Allies' debts and the vast foreign private loans. However, the Glass-Steagall bill is a start on the right course. The Federal Reserve, co-operating with the Bank of England and the Bank of France can undoubtedly raise world price levels. They should be raised at least to the 1930 level. A sustained program of credit relaxation in the United States and a measured increase in currency circulation—enough to turn the price trend upward, call it inflation, or reflation, or what one will—seem to be the measures now called for by the situation. If we have faith in the adoption and efficiency of such a program we are justified in starting a selective accumulation of equities now."

Looking at the Bright Side

"I agree," said a financial authority who used to think that the word inflation was financial blasphemy, "that we can and must apply a lever to price levels. If we don't, prices will take another drop of 20 or 30 per cent, and that will about finish us for another five years. Just as

two and two make four it is the contraction of credit that is depressing prices. It is foolish to talk about overproduction any longer. You can have too much to the end of time if you keep on contracting credit. Turning to the bright side of the picture, I will predict that if the Federal Reserve authorities make use of the facilities for credit expansion that Congress has given to them, there will be a marked rise in securities and commodities in the near future and a distinct gain in business activity within ninety days."

Farmers to Smite Protection

"I see THE MAGAZINE OF WALL STREET is strong for protection even to the point of economic isolation," said one of the outstanding leaders of the organized farmers of the United States. "I am reluctant to differ with the best financial periodical in the United States but I think I must take advantage of your call to tell you something you ought to know. The last two years have about finished protection with the farmers as an unswerving policy. Talk with the cotton farmers, the wheat farmers, the apple raisers, the pork producers and ask them what good protection does them when they have, as always, such surpluses that the prices of their products are determined in world markets, which are being closed to them by thirty-nine retaliatory tariff laws, plus the suspension of the gold standard in so many countries.

"What we must do and in a hurry before our necessary foreign markets are pre-empted by our rivals is to start some tariff bartering. We've got to scratch around and find some tariff concessions we can trade for concessions by the foreigners. Every time we bar some foreign article from our markets we are now getting a slap right back in something of ours barred from those markets. Of course, we've got to make some sacrifices, but which is most worth while, to hold a few jobs for a handful of city workers operating a bunch of big machines or to make life tolerable for millions of country people? Too long have we considered the minority first. The farmers can't be fooled any longer with stiff tariffs on the importation of commodities that they have to export."

Gunning for Short Selling

A high official of the Government at Washington told me, with a pugnacious gleam in his eyes, that unless the New York Stock Exchange voluntarily takes steps to curtail short selling, President Hoover would probably come out in favor of drastic legislation such as is now being considered by the House Judiciary Committee. He added that the President was convinced that such legislation is a necessary concomitant of the various other steps the administration is taking to check deflation.

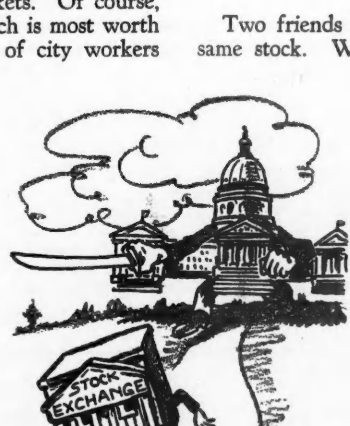
From the official, who viewed short selling as an almost unmitigated evil, I turned to an economist who has made a close study of short selling. "Instead of supplementing the admirable constructive legislation, Congress has recently given us," he said, "any legislation that would curtail short selling would be an appallingly destructive. It would be nothing less than a disaster to the entire business world, which has become deeply involved with the securities markets. Instead of helping constructive and stabilizing forces that are now at work it would contribute powerfully to further unsettlement and disruption of business. Doubtless there have been occasions when short selling has for a time exerted a depressive effect, but President Whitney of the New York Stock Exchange was entirely right when he told the Judiciary Committee that on the whole short selling has been an indispensable factor in providing a market for securities during the depression period.

"It is an essential of securities speculation that there shall be free and full opportunity for the speculator who believes that stocks should sell at lower prices as well as for the man who believes that they are too low. I do not believe that there is any well-informed student of the stock markets who holds that speculation is in itself a business evil. But speculation that could be only for a rise would be nothing else than a curse. Securities have gone to unjustifiable low levels, but they would have sunk out of sight if there was no market at all.

"The thing has been tried. We have an object lesson without trying it on our own dog. Germany abolished short selling in 1896 but about all that was accomplished was to paralyze markets in Germany and transfer their business to foreign exchanges. Germany eventually repealed the legislation but the lesson was costly."

Don't List Thin Stocks

Two friends of ours recently made commitments in the same stock. Within a week's time both had closed out, one with a twelve point profit, the other with a nine point loss. We recounted the story to the head of an insurance company whose investments run into huge figures. His sound comments were as follows: "The function of the Stock Exchange is to provide a free, and, as far as possible, orderly market for the securities it lists. Yet it is seldom that at least one speculative football, chosen from among the half-dozen listed issues of very small floating supply, does not occupy the limelight; and by its gyrations reflect the most active type of professional stock gambling, rather than of variations in the earning power of the stock. Sometimes transactions in a single week exceed the total capitalization of the company. Yet, technically, a free market has been at all times maintained. Some one provides a sufficient amount of stock so the game can be kept within bounds. Despite this fact, none can deny that an artificial, rather than a natural, market results. It would appear that in such a case little can be done. The answer is that stocks of small floating supply have no proper place on the Stock Exchange and in future should not be listed."



BONDS

Putting Money to Work With Maximum of Safety

It Is Not Necessary to Keep Funds Idle When They Can Be Made to Produce Income With Safety

By J. C. Clifford

THERE are mountains of money idle at present. A great deal of it is in the hands of individuals who are restrained by excessive caution at present from putting it to work. In the light of the experience of recent months this is not an inexplicable situation. These times inspire caution and safety is highly prized. There is the cautious investor who refuses to employ idle funds until he is assured of the permanence of the business upswing, even though he pays many points above the current market. There is the man who has funds idle at present but foresees a definite need for them a month, or six months hence. And finally there are those whose individual circumstances forbid any element of chance in the protection of their funds. They can, and must, forego the opportunities for profit or the chances to lay the foundation for later gains by price appreciation. They must have the greatest safety.

"Can funds be employed at even a small return and such safety be assured?" they ask. We believe they can. There are four mediums through which this can be done and the possessor of idle money has merely to consider his own particular position in order to select between them so that his money will be ready for him when he wants it. It will be as safe as anywhere else he can put it and the return he will receive for it is something for which he is losing nothing. The four mediums are short-term Government and short-term, gilt-edged corporate obligations, and long-term Government and long-term corporate issues.

The short-term Government issues are of course the strongest of all. While it may be the popular conception that this form of security is solely suitable for banks and monied individuals, this is emphatically not true. No one, possessing $1,000 or more, need be ashamed or nervous about investing his money in them. By watching for the advertisements in the papers and following the instructions he can either bid for, or subscribe to, new issues. Or he can obtain participation in an old issue through his bank, for this class of security enjoys an exceedingly broad and active market at all times.

United States Government short-term financing takes three forms, all of which except in rare and specified instances are both free from all taxation except estate and inheritance taxes and are acceptable in payments of taxes. There is first of all the U. S. Treasury Bill. This usually runs about three months and is advantageous from the Government's standpoint in that it is sold to the highest bidders. The Government therefore probably pays a lower rate of interest than would be the case if it fixed the rate itself. As the bills are paid off at their face value at maturity, it is clear that the difference between this sum and the price paid represents interest. At the present time a yield of about 2% can be obtained if the maturity be no more than a month away, while for maturities between one month and three the yield is about 2½%.

The United States Treasury Certificate is for all intents and purposes about the same as the Treasury Bill, except that it bears a coupon and the maturity is set somewhat further away than is the case with the latter. The Treasury Note is the same as the Certificate except that the maturity is usually more distant still. It may perhaps run for as long as five years. At the present time both Certificates and Notes are quoted to yield as little as 2% for those with a month or so to run, while as much as 3½% can be obtained as the maturity lengthens.

Although details are not yet settled, no talk of Government obligations for the purpose of employing idle money would be complete without mention of the proposed "baby" bonds. It is understood that these bonds will be issued to any amount that may be required, in denominations as low as $50, that they will bear interest at the rate of 2% and that they will be redeemable by the Government on sixty days' notice. What more could the possessor of idle money want?

In entering the field of short-term corporate obligations there is of course somewhat less safety than in the Government obligations which have just been discussed. It is quite possible, however, to discover issues in this class enjoying an extraordinarily high rating which, although they may fall some-

Types of U. S. Government Bonds

Issue	Maturity	Approx. Yield
U. S. Treasury Bills	March 30, 1932	2%
U. S. Treasury Bills	May 11, 1932	2¼
U. S. Certificates (T. S.) 1⅛s	Sept. 15, 1932	3
U. S. Notes, 3¼s	Dec. 15, 1932	3¼
U. S. Certificates (A. 33), 3¾s	Feb. 1, 1933	3½
Liberty 4th, 1933/1938, 4¼s	Oct. 15, 1938	4⅓
Treasury, 1941/1943, 3⅜s	March 15, 1943	4¼
Treasury, 1951/1955, 3s	Sept. 15, 1955	3¾

what short of the ideal, are nevertheless sufficiently strong for all practical purposes. Their advantages lies in the fact that they afford a return which is considerably in excess of that afforded by the Governments. A few examples of this kind of security all of which are listed on the New York Stock Exchange would include Norfolk & Western (New River Division) First 6s, Union Electric Light & Power First 5s and Humble Oil & Refining Co. debenture 5½s. These mature in the current year. Maturing in 1933 there are the Detroit Edison First & Collateral Trust 5s and the Cleveland, Lorain & Wheeling Railway Co. Consolidated First 5s; maturing in 1934, Corn Products Refining First S. F. 5s; and maturing in 1935 Cleveland & Marietta Railway Co. First S. F. 4½s.

In view of the existence of these short-term obligations both Govermental and corporate, it would seem foolish to keep unemployed any money at all over day-to-day requirements. Should the money now be idle in anticipation of its being needed in the near future one can buy Treasury Bills and renew the purchase from month to month, or even week to week for that matter. Should the money merely be idle because an investment is thought to be dangerous at the present time, then obligations of slightly longer maturity can be bought with perfect assurance of ultimate payment. Moreover, we repeat that money so invested will be as safe as in a bank and safer than if kept in currency, for the latter is too easily lost or destroyed.

Long-term Governments and long-term, gilt-edged corporate bonds for the purpose of employing idle money, present more complex problems. The Government bonds are of course as safe as anything of which we know, and it is also possible to obtain corporate issues but little lower in this respect. But safety means no more than the assurance of regular interest payments and that the principal will be paid at maturity. It does not mean that one can always obtain at a moment's notice what was paid plus interest to date. If this is essential, the remedy lies in the purchase of short-terms enjoying broad and active markets.

On the other hand, should the individual be keeping his money idle solely because he believes that by doing this he is safeguarding it and there is no immediate prospect of its being needed, he might well consider the purchase of gilt-edged long-term bonds. These securities can now be bought at prices which past experience shows to be generally advantageous.

Bond Buyers' Guide

NOTE.—The following list of bonds has been arranged solely on the basis of current yields to maturity. The position of any issue in the list is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list. The Guide is subject to revision as more favorable issues appear and those no longer suitable, in our opinion, for new purchases, are dropped. Any queries concerning such changes should be directed to our Personal Service Department.

Railroads

	Total Funded Debt (millions)	Amount of this issue	Interest* Times earned 1930	Interest* Times earned Est. 1931	Recent Price	Yield to Maturity
Norfolk & Western 1st Consol. 4s, 1996	112	41	7.5	5.4	87	4.6
Atchison, Top. & Santa Fe Gen'l 4s, 1995	311	152	3.9	3.3	86	4.7
Union Pacific 1st 4s, 1947	360	100	3.5	2.5	92	4.7
Pennsylvania Consol. 4s, 1948	607	29	1.9	1.2	91	4.8
Northern Pacific Prior Lien 4s, 1997	313	107	2.2	1.2	80	5.0
Missouri-Kansas-Texas 1st 4s, 1990	107	31	2.8	1.2	72	5.6
Baltimore & Ohio First 4s, 1948	604	82	1.7	1.2	82	5.7
N. Y., N. Haven & Hartford Ref. 4½s, 1967	258	31	2.0	1.4	70	6.7
Northern Pacific Ref. & Imp. 6s, 2047	313	107	2.2	1.2	88	6.8
Kansas City Southern 1st 3s, 1950	65	30	1.5	1.2	59	6.9

Public Utilities

				Call Price	Recent Price	Yield to Maturity
Duquesne Light 1st 4½s, 1967	65	65	6.7	104½	96	4.7
Phila. Electric 1st Ln. & Ref. 4½s, 1967	166	34	3.1	105	95	4.7
N. Y. Telephone Gen'l 4½s, 1939	61	61	3.8	110	97	4.9
Westchester Lighting 1st 5s, 1950	22	9	3.1	NC	100	5.0
Cincinnati Gas & Elec. 1st 4s, 1968	35	35	5.3	100	84	5.0
American Telephone Coll. Trust 5s, 1946	462	68	6.1	105	99	5.1
Illinois Bell Telephone 1st & Ref. 5s, 1956	57	49	4.8	105	99	5.1
Detroit Edison Gen'l & Ref. 4½s, 1961	129	50	2.9	103½	90	5.2
Pennsylvania Pwr. & Lt. 1st 4½s, 1981	131	121	2.7	105	86	5.2
Pacific Gas & Elec. Gen'l & Ref. 5s, 1942	311	36	2.4	105	98	5.2
N. Y. Power & Light 1st 4½s, 1967	67	66	2.8	105	86	5.4
Denver Gas & Elec. 1st & Ref. 5s, 1951	46	9	2.3	105	91	5.8
Northern States Pwr. 1st & Ref. "B" 6s, '41	100	8	3.3	105	101	5.9

Industrials

Standard Oil of N. J. Deb. 5s, 1946	169	120	7.4	102	100	5.0
Swift & Co. First 5s, 1944	53	23	3.7	102½	99	5.1
Western Electric Debenture 5s, 1944	35	35	4.3	105	96	5.4
Bethlehem Steel 1st & Ref. 5s, 1942	118	13	4.3	105	87	6.8
Goodyear Tire & Rubber 1st & Coll. 5s, 1957	63	56	2.8	103	75	7.1

Short Terms

Name	Due Date	Amount This Issue (Millions)	Price Call	Price Market	Yield Income Basis	Yield Maturity Basis
Corn Products Refining 1st 5s	5/1/34	1.8	105	103	4.9	3.7
Detroit Edison 1st & Coll. 5s	1/1/33	10.0	NC	100	5.0	5.0
Union Elec. Lt. & Power Ref. & Ext. 5s	5/1/33	6.2	NC	100	5.0	5.0
Norfolk & Western Imp. & Ext. 6s	2/1/34	2.0	NC	102	5.9	5.1
Cleve., Lorain & Wheeling Consol. 1st 5s	10/1/33	5.0	NC	98	5.1	6.2
Bethlehem Steel Purchase Money 5s	7/1/36	22.3	105	94	5.3	6.5

* On total funded debt. NC—Not callable.

NOTE—Our preference in the above list, at present, are among the short term and second grade issues. The high grade long term bonds in the list will be subject to the possible adverse factor of higher money rates. Consequently, commitments in this class might well be postponed unless they are assumed for a period of years.

UNION PACIFIC

Diversified Investments—Asset or Burden?

Interesting Contrast in Policies of Two Western Carriers

By PIERCE H. FULTON

WHICH is better, a carefully built, conservatively capitalized and well-managed railroad, run only as such, or one equally well built, with similar capitalization and management, and which owns besides millions of stocks, bonds and other securities of railroads not affiliated with it, and, in some cases, not even connected with it physically?

Of which system are the securities preferable for investment, particularly in such difficult times as those through which the railroads of the United States and their owners have been going for more than two years, and in which they still find themselves, with the future far from being certain?

These questions had their origin largely in recent developments in connection with two of the outstanding railroads of the West—Atchison, Topeka & Santa Fe and Union Pacific. In various respects these two great properties are strikingly similar. In one they are radically different. Atchison is a great railroad system, and that only. Union Pacific occupies a similar position as a railroad, but, in addition, is in a class by itself, among all the railroads of the United States, as a virtual investment trust on a good sized scale.

It is with the Union Pacific, as a great railroad, and also as a virtual investment trust, that this article will deal specifically. The most recent events that have directed attention to the two properties are the reduction, early in January, in Atchison's common dividend from a $10 to a $6 annual basis, and the declaration, a little more than a month later, by Union Pacific directors, of the regular quarterly installment of $2.50 a share on its common stock. Investors have given renewed attention of late, to the position and securities of each of these roads, for the additional reason, that, with only a $6 annual basis for its junior issue, the market quotations for Atchison common have been strikingly close to those for Union Pacific common, with the $10 annual basis still in effect.

This is a particularly interesting situation, worthy of careful consideration, and which will be explained, as fully as possible. Before attempting an analysis of Union Pacific's position at the present moment and of the outlook for the property and its securities in the near future, it will be well to run rapidly over the policies that have brought Atchison and Union Pacific to where they are today.

Early in their history these two properties had quite similar experiences. They were built during the period of active railroad construction in the United States, roughly from about 1860 to 1870. Each went into receivership in the period of depression and panic, of which 1893 was the culmination. Reorganized a few years later, Atchison in 1895 and Union Pacific in 1897, the roads have been managed differently, but marked success has

Securities Owned—Other Than Affiliated Cos.

	Par or Face Value of Holding 1930	Div. Income 1930	Div. Income 1931
B. & O. com	$6,267,035	$438,697	$329,018 P
Do pfd	1,805,992	72,240	72,240
Chicago & N. W. com	4,420,600	176,824	88,412 P
Chicago, Milwaukee, St. Paul pfd	1,845,000	......	......
Ill. Cent. com	24,750,000	1,732,500	928,125 P
Do pfd	6,975,000	418,500	418,500 P
N. Y. Central	26,715,200	2,099,052	1,602,912 P
R. R. Sec. Co.-Ill. Cent. com	101,200*	708,400	379,490
Do pfd	28,520*	171,120	171,120
R. R. Sec. com	34,864*	600,000	220,000 (e)
Do pfd	19,369*		
Bonds, Notes & Equip. Trust Ctfs	$74,193,009	6,496,949	6,496,949 (e)
U. S. Gov. Bonds	34,347,500	1,211,004	864,000 (e)
	......	$14,125,286	$11,570,768

(e) Estimate. (a) Assumed to be same as 1930. P No payment currently.
* Number of shares.

come to each of these companies nevertheless.

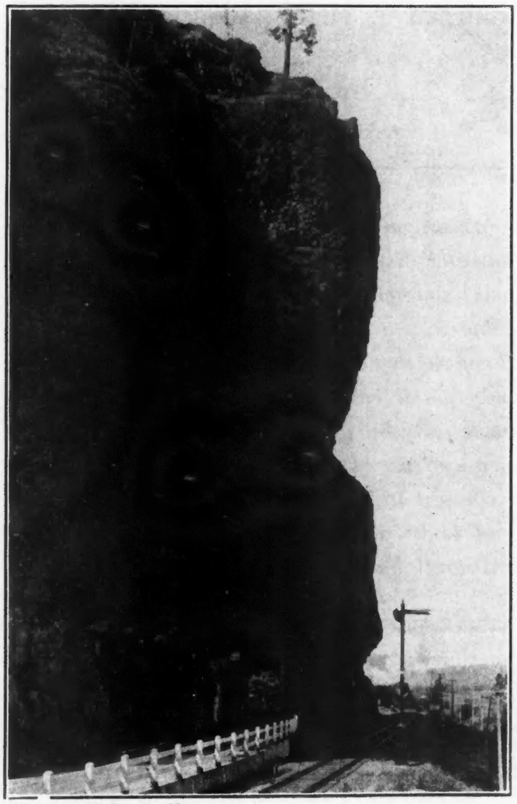
Atchison is still only a great railroad system, but it has earned as high as practically $23 a share for its common stock in a single year (1929), paid $10 a share in dividends on that issue, and still retained in its treasury $50,000,000 or more of cash and Government securities. Union Pacific likewise has been a big earner for its shareholders from operation alone, and in addition has derived about half as much more income from its investments in the securities of other railroads. For 1929 net income was equal to $20.36 a share on the common.

Atchison, since reorganization, has had particularly able men at its head, notably E. P. Ripley, and his successor, W. B. Storey, who is still president, and going strong in his 75th year. They and their associates have steadily built up and developed the property, with the idea of making it strong and efficient in every respect, but with no idea of owning a controlling interest—not even a large block—in the stocks of other railroads. Consolidation on a big scale has been taboo.

A part of the results of this policy has been indicated already. The common stock in 1929 sold at almost $298 a share. In the more than two years that have intervened since the crash in stocks and in business that began late in that boom year, this company has been able to go steadily on with the maintenance and operation of its property at high standards, paying for everything out of its treasury. Contrary to the position of many of the railroads of the United States, including some of the largest, it has no loans—not even equipment trusts—outstanding, and is understood to have closed the 1931 fiscal year with a surprisingly large amount of cash on hand. The return for the common was $6.96 a share.

Union Pacific, as already intimated, was developed and has been managed differently in many important respects. The physical property of Atchison was built up gradually but steadily after reorganization. When E. H. Harriman, dramatic railroad and stock market operator, got control of Union Pacific over 30 years ago, he began pouring millions into the road with the idea of raising its physical condition to the highest practical standard, in the shortest possible time. He accomplished his purpose, and in doing so, dazzled his competing neighbors and students of railroad affairs, and almost made his well sophisticated banking associates, Jacob H. Schiff and Otto H. Kahn, gasp at the outlay of so many millions. But Harriman was vindicated, for he made the Union Pacific the splendid railroad property that it has been ever since, and did it quickly.

He by no means stopped with spending millions upon it. As earnings began to roll in and credit to expand, he spent many more millions for the securities of other railroads. Control of Southern Pacific was acquired in 1901 from Collis P. Huntington, its builder and staunch supporter during the lean years. It was promptly made a part of the Union Pacific system and Harriman believed that he had done one of the biggest things in his brief, but dramatic railroad career of scarcely more than 10 years.



Courtesy Union Pacific

Oneonta Bluff on Colorado River Highway

Control of Chicago & Alton, which had been so well and profitably operated by T. B. Blackstone for many years, paying $8 a share on the common, was also obtained by Harriman for Union Pacific. The property was "brought to Wall Street," to use a familiar expression of those days. Its share capital and bonded debt were so greatly increased that it never was able to carry the burden.

Harriman was required by the courts to give up Southern Pacific, Alton went into receivership and Union Pacific wrote off its loss of many millions of dollars. Before this had happened, Rock Island had acquired a half interest in Alton.

But Harriman's ambition and activities with respect to controlling other railroads did not end with his failure as to those two. He sought the Burlington and Northern Pacific. In trying to get the latter from James J. Hill and the elder J. P. Morgan he brought on the famous Northern Pacific corner and panic of May 9, 1901. With this affair settled by arbitration—Morgan was the arbitrator—Harriman launched another policy, that of buying large blocks of stocks and bonds of other railroads and lodging them in Union Pacific's treasury. No other railroad leader had done this, at any rate, not on the same big scale.

Apparently he had no idea of consolidating, or even affiliating them with Union Pacific. In fact, some of the properties were so far removed that this was impossible. In his judgment those purchases represented good investments and he believed also that in various ways Union Pacific would benefit from these transactions. The four large roads to which reference is made especially in this respect are New York Central, Baltimore & Ohio, Illinois Central, and Chicago & North Western.

Mr. Harriman saw to it that he was elected a director in each of these companies. In every board of which he was a member, he was a potent, if not a dominating and controlling factor. He virtually controlled Illinois Central and had much to say about the management of Chicago & North Western, with which Union Pacific worked closely traffic-wise. His voice was heard with respect to all vital New York Central and Baltimore & Ohio affairs.

By reason of the volume of these holdings, Union Pacific, even before Harriman died some twenty years ago, was a virtual investment trust, as well as a first-class railroad system. The former term had scarcely been heard in this country in those days. Union Pacific has held its own in the latter re-

(*Please turn to page 628*)

AMERICAN GAS & ELECTRIC CO.

Can Quickly Reflect General Business Improvement

Strong Financially, Well Managed, Intrenched in Highly Industrialized Area

By Ward Gates

American Gas & Electric Company has the unusual distinction of having refrained from new financing throughout the boom era, achieving a notable expansion of facilities through the conservative program of paying only small cash dividends and of ploughing back fully 80 per cent of its earnings into its properties. As a result it is now one of the strongest units in the public utility industry, and is in a position to benefit quickly and substantially from business revival.

SINCE no class of stocks was more wildly inflated in 1929 than public utility holding companies, it is perhaps logical that a reverse swing of speculative sentiment should have carried them to their present depreciated status. Yet the fact is that the public utility industry has shown remarkable resistance to depression and, although experiencing moderate recession, has demonstrated a fundamental stability of earning power that promises well for the future.

Hence, the present undiscriminating investment fear of utility holding companies is as misleading as was the equally undiscriminating enthusiasm of the boom years when speculators who will not now pay ten times annual earnings for a utility equity cheerfully accepted price ratios of forty or fifty times earnings.

There are utility holding companies of all kinds—good, bad and indifferent; some conservatively capitalized, some over-capitalized; some strong, some weak; some poorly managed, some managed with excellence. Any investor who avoids this field merely because of the prevailing holding company prejudice is passing up opportunities which careful study will easily reveal.

One such opportunity is the common stock of the American Gas & Electric Co., listed upon the New York Curb Exchange, one of the largest, strongest and best managed utility systems in the country. The company's name derives from a time, some years ago, when gas and traction properties constituted an important part of its assets, but these have long since been disposed of and inclusion of the word "Gas" in the corporation's name is now misleading. It is one of the few large systems exclusively devoted to the production and sale of electric power and light, which, with almost all utilities, are more profitable than gas, even though the latter is somewhat less subject to business fluctuations.

American Gas & Electric serves approximately 650,000 customers in 1,300 cities, towns and villages in nine states. Its largest operations and revenues center, in the order named, in Ohio, West Virginia, Indiana, Pennsylvania, New Jersey, Virginia, Kentucky and Michigan.

Some of the more important cities served by it are Canton, Lima, Portsmouth, Zanesville and Newark, Ohio; South Bend, Muncie, Marion and Elkhart, Indiana; Roanoke, and Lynchburg, Virginia; Wheeling, Huntington and Charlestown, West Virginia; Ashland, Kentucky; Scranton, Pa. and Atlantic City, New Jersey.

The heart of the system, as will readily be seen, is the highly industrialized midwest area of the country. This is both an advantage and a disadvantage for the company. It is a disadvantage in time of depression, since it involves a substantial decline in the industrial electric power load, which accounts for a major portion of gross revenues, although not by any means a proportionate part of net income because of the fact that rates for such service are substantially lower than for commercial and domestic users. On the other hand, it is a decided advantage in times of prosperity. Since we have always had more prosperity than depression in this country, the character of the company's territory may be taken over the long term as advantageous.

Moreover, from a shorter-term viewpoint, there are certain benefits in this situation which the alert investor can capitalize. If the stock faces the threat of substantial recession of business ac-

tivity in a concentrated industrial area, it conversely holds the promise of faster than average advance when industrial activity again recovers. With a current earning power under adverse conditions of approximately $3.63 per share, the stock at its recent quotation of $35 per share would appear to have made generous allowance for all adversities or reasonable contingencies and to have reached a sound and attractive investment level.

The company's capitalization consists of $50,000,000 in debentures, 355,623 shares of $6 cumulative preferred stock and 3,985,364 shares of common stock. The funded debt of subsidiaries consists of $146,602,695 and subsidiary preferred stocks outstanding total approximately $50,000,000.

Since no consolidated income statement of the company was ever published until 1930, thorough analysis of its operating efficiency is difficult, but figures presented to the Federal Trade Commission in 1930 throw some light on the matter. These show that during the five-year period from 1924 through 1928 the operating expenses of subsidiary companies increased only 37%, while total electric revenues expanded approximately 80%, while at the same time the company's operating ratio declined from 48.2% in 1924 to 37.01% in 1928. From 1924 to 1929 gross earnings of subsidiaries increased 84% and there was a much larger gain in the holding company's income, the five-year increase being 154%.

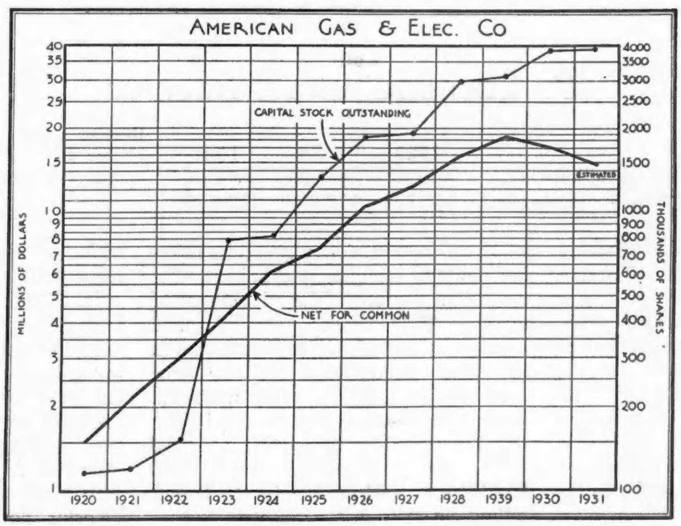
Earnings applicable to the common stock of American Gas & Electric tripled from $6,209,493 in 1924 to $18,777,664 in 1929. In 1930, reflecting the sharp curtailment in industrial activity, there was a decline of 8.8% to a figure of $17,112,320. The year 1931, of course, brought a still more serious shrinkage in industrial activity and a further decline in the company's profits, net available for common stock being estimated at approximately $14,750,000.

In view of the record-breaking scope of the depression, a decline of only $4,000,000 in two years in the company's earnings supplies striking proof of its fundamental strength. Moreover, how many corporations are there which in 1931 could earn more than twice as much as they did in 1924?

American Gas & Electric is unusual among holding companies in that it has carried out a tremendous expansion program almost entirely by utilization of its own surplus earnings, with virtually no resort to additional financing. Its exceptionally strong financial position today is the direct result of this conservatism.

Dividends on the common stock have been regularly paid since 1910 and at gradually increasing rates. Since the present corporation was formed in 1925 a regular dividend of $1 per share annually in cash has been paid, plus a 4% annual stock dividend, the latter distribution representing a conservative capitalization of re-invested earnings. In addition, the company's policy has been to pay fairly frequent extra stock dividends, a distribution of 40% having been made on January 3, 1927; 50% on January 2, 1929; and 20% on January 2, 1931.

Such policies have made it possible for American Gas & Electric to reinvest nearly 80% of its earnings in the business. The result appears strikingly in its balance sheet, which shows total tangible assets fully $100,000,000 in excess of capital liabilities. The only change in the company's financial status in the last year has been one of further improvement. It enters 1932 in stronger position than in 1930, at which time total current assets were $19,076,699 and current liabilities $999,835.



Although the balance sheet as of the close of 1931 is not yet available, it is understood that the system's holdings of cash and short-term Government bonds approximate $26,000,000, while total current assets are around $41,000,000, as compared with current liabilities of $13,000,000. The parent company itself held cash or its equivalent of around $20,000,000 at the end of 1931.

For five years, up through 1930, American Gas & Electric normally spent approximately $30,000,000 annually on its construction budget. Such expenditures were confined to less than $12,000,000 in 1931 and are likely to be no larger than this amount in 1932.

Analysis of the company's income figures reveals that a notably large proportion of the gross earnings of subsidiaries is carried through to the common stock of the parent company. Thus, net for common of $17,112,320 in 1930 was approximately 25% of gross operating revenues of $68,600,967 for the system. The comparative ratio of the majority of utility holding companies is much smaller than this and the common shares of few afford so wide an equity.

In the picture of American Gas & Electric here given every aspect is essentially favorable. Nevertheless, there is one important uncertainty which affects the utility industry and all utility companies. That is the matter of political agitation for stricter public regulation and the possibility of agitation for lower rates.

As to regulation, it appears probable that investment fear has been exaggerated. In any event, the fiscal affairs of few companies are in better shape to withstand official scrutiny than those of American Gas & Electric.

In view of the fact that the utilities have for some years emphasized the reproduction cost of their properties in seeking rate changes and in view of the fact that they now have the benefit of substantially lower material costs, as well as the prospect of lower wage costs, it would not be surprising to find the public demand for lower rates increasing.

Yet the rate policy of American Gas & Electric for years has been notably liberal and progressive. Its conception of the most practical manner in which to attain maximum profits is to apply its resources and abilities to the maximum development of the territory it serves. Indeed, it has itself been responsible for much of the growth of

(Please turn to page 626)

Good Income, Well Protected in Preferreds

Opportunities for the Conservative Investor

By Frank L. St. John

The past few months have been a period of abnormality in our security markets. Much has been heard of common stocks and much of bonds, but almost nothing of preferred stocks. Being hybrids they have been neglected. There are cases where the sale of a few shares has depressed an issue to bargain levels and it has been overlooked in the general recovery. A number of preferred stocks are available which afford an income high in relation to the amount of money invested and the security afforded. Moreover, as a class they are by no means devoid of prospective price enhancement. Three issues which are representative of the field are analyzed herewith in the belief that they might well find a place in many investment lists.

P. Lorillard Co. Preferred

	1929	1930	1931	Recent Price	Div.	Yield
Earned per Share	**$11.82**	**$31.96**	**$42.86**	**86**	**7**	**8.1%**
Pfd. Shares Outstanding	**113,076**	**113,076**	**113,076**			

NUMBERED among the offspring of the old American Tobacco Co., the P. Lorillard Co. was a husky infant for a number of years. Unfortunately, however, it was slow to realize that the smoking habits of the world were changing rapidly as the result of the World War. The day of the cigarette had dawned. Moreover, the day of the nationally-advertised cigarette. And Lorillard was far in the rear of the procession.

The "Camel" of the R. J. Reynolds Tobacco Co. was the first cigarette to be nationally advertised and was followed a few years later by the "Lucky Strike" of the American Tobacco Co. It was not until 1926, some eight or nine years later, that Lorillard decided that it too would have to introduce a popular brand of cigarettes if a steadily declining income were to stop short of an actual loss.

The present P. Lorillard Co. really dates from that time. Bonds were sold and later further money raised by offering rights to common stockholders. The campaign was on. The advantages of smoking "Old Golds" were blazoned from every newspaper and magazine in the land. Pretty girls and handsome men smoked them on every billboard. The public being unable to avoid them did the next best thing. It accepted them, with the result that "Old Golds" now rank as the fourth largest selling cigarette in the country.

While this cigarette's rise to fame is undoubtedly the high light of the Lorillard company's recent career, it is not of course the whole picture. It stands out against a background of other cigarettes, cigars and smoking tobaccos and if it had not been for the steady earnings contributed by these humbler activities the introduction of the star would have been a much more difficult matter. As it was, the terrific advertising expense resulted in a steady decline in earnings from 1926 to 1929 inclusive, despite the income derived from other lines.

In 1930, however, "Old Golds" had increased in popularity to an extent where they met their own manufacturing and advertising expenditures, while last year the earnings statement of the Lorillard company would indicate that they even made a little money. With "Old Golds" on a paying basis therefore and with a good demand for "Rocky Ford" and "Muriel" cigars, "Murad," "Helmar" and other cigarettes, to say nothing of the revenues resulting from smoking and chewing tobaccos, it would seem that the company were again firmly established.

The capitalization of the P. Lorillard Co. consists of some $45,000,000 in common stock, ahead of which there is $11,307,600 in 7% non-callable preferred stock of $100 par value. Giving effect to the retirement of the entire outstanding 5½% debentures as of the first of the year, the bonded indebted-

ness totals slightly less than $19,000,000.

It is with the preferred stock that we are here primarily interested. In 1926 the company's earnings were equivalent to $36.41 a share on this issue, while for 1929 less than $12 a share was shown. In 1930, however, earnings were equal to almost $32 a share on the preferred and for 1931 a further increase was reported, earnings being equal to almost $43 on this issue.

In appraising any stock at the present time, the company's financial position is a more than ordinarily important point. The P. Lorillard Co. is particularly well placed in this respect. At the end of last year current assets totaled more than $64,000,000, to which cash contributed nearly $14,000,000, whereas current liabilities amounted to only $1,746,000. Net working capital was therefore more than $62,000,000. This was somewhat less than that shown at the end of the previous year, but the decrease can be attributed entirely to the retirement of bonds.

Although there are well over 100,000 shares of Lorillard preferred outstanding, the issue is evidently quite closely held, for its present market is a narrow one. The investor, however, desiring to purchase it should be able to fill his requirements with the exercise of some patience at a price between $85 and $90 a share. This would give a yield of approximately 8%, a rate which may be considered high in view of the security even in these times of abnormally large investment returns.

There is of course the threat of additional tobacco taxation both on the part of the Federal Government and the various states. The tendency to "roll your own" must also be considered. But these adverse possibilities, although they might materially affect the common stocks of tobacco companies including Lorillard, ought not to endanger, except in a very minor way, senior securities. Lorillard is covering its preferred dividend at the present time every handsomely and in all likelihood will continue to do so. Moreover, the retirement of bonded indebtedness is improving its position. As an investment embodying attractive yield and a wide margin of safety, it has much to commend it.

Standard Brands, Inc., Preferred

	1929	1930	1931	Recent Price	Div.	Yield
Earned per Share	**$129.41**	**$111.03**	**$150.30**	**115**	**7**	**6.0%**
Pfd. Shares Outstanding	**141,755**	**147,730**	**96,757**			

THE preferred stock of Standard Brands, Inc., is well deserving of a place in any comprehensive list of these securities. Its dividend is well protected by earning power. It is the senior major obligation of a company in excellent financial position which operates in a field showing marked resistance to the adverse effects of depression.

Standard brands is a manufacturer of trade-marked food products. It is the result of a merger which was carried out for the purpose of utilizing to better effect the wonderful distributing system built up by the old Fleischmann Co., whose yeast *had* to be fresh when it was delivered to the ultimate consumer.

Following the consolidation of the Fleischmann Co., the Royal Baking Powder Co. and the E. W. Gillett Co., Ltd., of Canada, the new company acquired Chase & Sanborn, Inc., and the Widlar Food Products Co. This added coffee, tea, pickles, olives, salad dressing, mayonnaise and other similar products to the yeast and baking powder of the original merger. In the making of yeast, alcohol at one time was a very important by-product and with the coming of Prohibition there were naturally complications. A new system, however, was devised and vinegar took the place previously held by alcohol. Between 80% and 90% of the white distilled vinegar sold in the United States is produced by Standard Brands.

Distribution is effected in more than 16,000 cities and towns by the company itself, while some 36,000 more communities are served by common carrier. Deliveries are made at regular intervals, never less frequently than twice a week and in many cases daily. In order to supervise this system the company maintains divisional offices, district offices and hundreds of agencies located throughout the United States and Canada. Foreign operations are carried out through subsidiaries which sell its "Royal" and other lines in England, Germany and South Africa. Other revenues are derived from leasing various manufacturing processes.

The capitalization of Standard Brands, Inc., consists of 12,644,313 shares of no-par common stock and 96,757 shares of $7 cumulative preferred stock also of no-par value. There is no funded debt of any sort and the minority interest in subsidiary companies amounts to only some $500,000.

The company was unfortunate perhaps in that there was not sufficient time for the full benefits of the merger to make themselves felt before the world-wide depression took place. The slump in business must have made it doubly difficult to co-ordinate the various activities, but that considerable progress was made can be seen from the very moderate decline in earnings reported by the company in the depression years.

For 1929, the predecessor companies reported earnings equivalent to $129.41 a share of Standard Brands preferred. For 1930, the first full year of operations, the company itself reported earnings of $111.03 a share on the preferred, while for last year more than $150 a share was shown. The larger per-share earnings shown for 1931 is attributable to the fact that the company retired 50,000 shares of the preferred at its call price of $120 a share during the year. Total net income was really lower. Last year's earnings, however, are calculated after a number of extraordinary charges. These include a write-down of $1,100,000 in the book value of inventories and the adjustment of current assets of subsidiaries in accordance with the prevailing rates for the various foreign exchanges.

Despite the retirement of the preferred, Standard Brands closed the year in a strong financial position. Current assets totaled $38,500,000, including some $20,000,000 in cash, government bonds, marketable securities and bankers' acceptances. Current liabilities amounted to only slightly more than $4,000,000. It will be noticed that net current assets equalled almost $360 a share of preferred stock.

In view of the extraordinarily strong statistical position enjoyed by Standard Brands preferred, it seems rather superfluous to attempt an analysis of the company's prospects, for it seems inconceivable by the very nature of the

business that anything could occur which would materially weaken the issue's high rating. Not that these prospects are in any way dubious, but only that any higher coverage for dividends, or any greater asset value for the preferred, would be in the nature of gilding the lily.

At the present time, the preferred stock of Standard Brands can be obtained around $115 a share, a price which returns a well-protected yield of more than 6% and in the not too distant future should permit of a 5-point appreciation in price.

Colgate-Palmolive-Peet Co. Preferred

	1929	1930	1931	Recent Price	Div.	Yield
Earned per Share	$62.24	$49.51	$29.79	87	6	6.9%
Pfd. Shares Outstanding	143,710	172,701	255,063			

As a result of a merger in 1926 the Palmolive Co. and the Peet Brothers Co. became one. The former was the outcome of a partnership which dated from 1864, while the latter was founded in Kansas City in 1872. Two years later Colgate & Co., founded in 1806, joined the combination and the Colgate-Palmolive-Peet Co. was born.

The company does an immense business both here and abroad in soaps and toilet articles. Among the better known of the company's products are Colgate's toothpaste and shaving creams, Palmolive soap and shaving creams, Octagon laundry soap and "Super-Suds." In addition, there are hundreds of other trade-marked articles but little less familiar to the public. At one time it was said that the company produced as many as 1,500 different brands and products. An extensive business in so-called "private brands" is also done.

The Colgate-Palmolive-Peet Co. operates five plants in the United States—at Jersey City, N. J.; Jeffersonville, Ind.; Milwaukee, Wis.; Kansas City, Kans.; and Berkeley, Calif. It possesses an oil storage and transfer plant at Edgewater, N. J., and certain undeveloped scattered properties. Abroad, it carries out manufacturing operations in Canada, Cuba, Mexico, Argentina, Brazil, Australia, England and other European countries, while an Italian subsidiary deals in olive oil. Sales offices are also maintained throughout the principal cities of the world.

The capitalization of the Colgate-Palmolive-Peet Co. consists of 1,999,970 shares of no-par common stock, ahead of which there are 256,828 shares of 6% preferred stock of $100 par value. There is no funded debt except for a $3,000,000 mortgage on the company's thirty-seven-story office building in Chicago. For practical purposes therefore the preferred stock is the senior obligation of this vast business.

That the issue is a strong one can easily be seen from the earnings. From 1926 to 1930 not once did annual earnings fail to cover dividends on the preferred more than seven times over. Figures just released for last year show that the company sustained a drop of about 10% in sales volume. This was translated into a decline in net income to $7,598,224 from the $8,550,055 shown in the previous year. Earnings per share of preferred stock, however, showed a much larger decline, owing to the fact that there is now more stock outstanding, the company having used it to acquire other businesses. But despite the decline in per share earnings, Colgate preferred still may be considered a strong issue, for after all even the lower earnings are nearly five times dividend requirements.

Colgate-Palmolive-Peet preferred is (*Please turn to page 624*)

Preferred Stock Guide

NOTE: The following preferred stocks are listed solely in accordance with the current yield on each. The sequence of Guide, therefore, does not indicate a preference for one issue over any of the others. Readers should observe a proper diversification of commitments in making their selections from this list.

Railroads

	Div. Rate $ per Share	Earned $ per Share 1928	1929	1930	Redeemable	Recent Price	Yield %
Norfolk & Western	4 (N)	133.73	182.20	138.50	No	74	5.4
Atchison, Top. & S. Fe	5 (N)	40.21	49.18	30.06	No	83	6.0
Union Pacific	4 (N)	46.22	49.48	41.30	No	64	6.3

Public Utilities

	Div. Rate $ per Share	Earned $ per Share 1928	1929	1930	Redeemable	Recent Price	Yield %
Amer. Lt. & Traction	1½ (C)	17.90	21.33	20.71	No	25	6.0
Pacific Gas & Elec. 1st	1½ (C)	4.24	4.57	5.25	No	25	6.0
New York Steam Corp	7 (C)	9.75‡	10.21‡	16.95‡	115	107	6.3
So. California Edison "B"	1½ (C)	3.28	3.61	3.63	28¾	24	6.3
Public Service of New Jersey	8 (C)	§20.92	§24.44	§22.10	No	127	6.3
New York Steam Corp	6 (C)	9.75‡	10.21‡	16.95‡	105	93	6.5
North American Co	3 (C)	40.22	47.48	47.51	55	45	6.7
North Amer. Edison	6 (C)	53.15	58.98	49.65	105	82	7.3
Buffalo, Niagara & Eastern Pr.	1.6 (C)	4.52	5.19	5.25	26¼	22	7.3
Philadelphia Co.	3 (C)	20.68	27.58	28.27	No	38	7.9
United Corp.	3 (C)	....	4.66	6.46	55	37	8.1
American Water Works & El.	6 (C)	31.05	39.11	44.22	110	73	8.2
Columbia Gas & Electric "A"	6 (C)	30.78	33.95	26.86	110	70	8.6
National Pr. & Light	6 (C)	45.38	50.22	45.16	110	67	9.0

Industrials

	Div. Rate $ per Share	Earned $ per Share 1928	1929	1930	Redeemable	Recent Price	Yield %
Procter & Gamble (2nd)	5 (C)	185.59	151.75	178.16	115	96	5.2
du Pont (E. I.) de Nemours deb.	6 (C)	69.06	78.54	55.22	125	102	5.9
Allied Chem. & Dye	7 (C)	68.63	76.88	63.90	120	117	6.0
Stand. Brands, Inc., Cum. A.	7 (C)	123.40	129.41	111.03	120	115	6.1
Mathieson Alkali Works	7 (C)	84.50	98.91	84.68	No	104	6.2
Hershey Conv.	†5 (C)	16.25	21.36	24.24	No	79	6.3
Diamond Match	1.5 (C)	....	....	....	No	23	6.5
Colgate-Palm.-Peet	6 (C)	43.39	62.24	49.51	102½	89	6.7
General Mills	6 (C)	18.70	12.86	20.03	115	87	6.9
General Cigar	7 (C)	62.81	85.92	64.03	No	100	7.0
Commerc. Investm. Trust 1st.	6½ (C)	45.50	81.98	90.87	110	91	7.1
Lorillard (P.) Co.	7 (C)	16.07	11.82	31.96	No	90	7.8
International Nickel	7 (C)	139.12	80.45	40.26	120(a)	80	8.7
Curtis Publishing	7 (C)	21.48	23.93	21.25	120	79	8.9
Amer. Smelting & Refining	7 (C)	37.17	43.66	22.20	No	76	9.2

C—Cumulative. N—Non-cumulative. § Earned on all pfd. stocks. † Regular rate, $4. (a) After Feb. 1, 1934. ‡ On combined preferred.

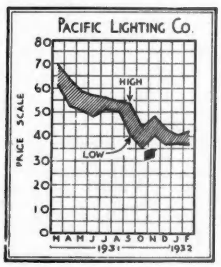
1931 Earnings Ahead of 1930

Sound Companies Who Have Successfully Bucked the Tide of Depression and Made Gains

Of the modest number of companies whose earning position showed actual improvement over the preceding year, we have selected five whose position we believe particularly favorable. All of them are dividend payers and at current prices afford attractive yields with fair prospects of price appreciation as general conditions improve.

Pacific Lighting Corp.

THE stock market has recently revised in unmistakable terms its appraisal of many public utility holding companies. There are instances where giant conglomerations of utility properties scattered throughout half the country are being judged as extremely speculative to say the least, especially where there is the remotest prospect of new financing reaching even moderate proportions. Pacific Lighting Corp. owing to the fact that it technically falls into the category of a holding company has been unable to escape part of the stigma which attaches to these bodies, despite the fact that it represents the holding company idea at its best.



In the first place, Pacific Lighting is not the last of a line of holding companies. In the second place, its activities are confined to a single territory and to services which are easily run in conjunction with one another. Finally, the company has that permanency and its securities that seasoning which can only be attained after long years of successful operation.

Moreover, it might be noted that Pacific Lighting is well situated in regard to the complications of regulation. As operations are confined solely to the State of California it should be free of any legislation affecting interstate holding companies. Also, although the State's Railroad Commission has wide powers in the matter of rates and practices these have not been abused and apparently both the company and the public are well satisfied for the most part with a system which has been in operation for more than fifteen years.

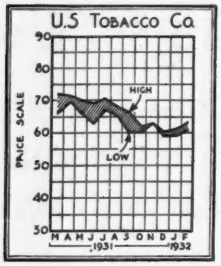
Pacific Lighting was formed in 1886. A few years later it acquired control of the Los Angeles Gas Co. and the Los Angeles Electric Co., a status which was maintained until 1925 when the gas properties of the Southern California Edison were added through the Southern Counties Gas Co. Later the Santa Maria Gas Co. and the important Southern California Gas Co. were brought into the group, so that Pacific Lighting now represents a consolidation of the four principal gas companies of Southern California. Natural gas which was brought into Los Angeles in 1913 has become increasingly important and is now not only used for cooking but for heating as well. Electric service is confined to the city of Los Angeles and represents only about one-sixth of Pacific Lighting's gross revenues.

Reflecting the tremendous growth of population and wealth in Southern California, Pacific Lighting has become a two-hundred-and-fifty-million-dollar enterprise. Considered as a holding company the capitalization of the system is remarkably simple. Affiliated companies have funded debt outstanding in the amount of some $107,000,000 in addition to slightly less than $31,000,000 in preferred stock. Minority interests hold a negligible amount of the common stock of affiliates. The parent company has issued no debentures, its capitalization consisting solely of 148,348 shares of $6 cumulative preferred stock of no-par value and 1,608,631 shares of no-par common stock. The company has no important maturities for several years.

For 1931, Pacific Lighting reported a net profit after all charges equivalent to $4.46 a share of common, compared with $4.45 for the previous year. The company was materially benefitted in the latter part of the past year by the abnormally cold weather which prevailed over the southern part of the Pacific Coast region. In a temperate climate such as usually exists in this part of the world, gas is an ideal fuel for heating purposes. Despite the fact that it would probably be more expensive than coal and oil for steady use, the advantage of being able to turn it on or off at a moment's notice and the fact that coal bins and oil tanks are not needed outweigh other considerations.

The latest earnings in view of the stable nature of the business would appear to afford an ample margin over the regular $3 dividend. There is still pending, however, a rate dispute and in the event that a final court decision be rendered against the company the earnings would be reduced by approximately $1,425,000, or about 90 cents a share of common. But even should the worst occur, it does not follow that the dividend would necessarily have to be reduced and, if it were, a moderate reduction in the 8% yield which is currently afforded would still leave a substantial return.

United States Tobacco Co.



FOR last year the United States Tobacco Co. reported its seventeenth consecutive annual increase in net income. It is to be doubted whether the equal of this record is to be found anywhere outside of our tax-collecting bodies.

The company's business lies in the manufacture and sale of snuff, cigarettes, smoking, chewing and plug tobaccos. It does not, of course, compare in size to the giant producers of our popular brands of cigarettes. The company nevertheless possesses its own goodwill and one receives the impression that it does not require a tremendous fuss and bother to preserve it, that it is too deeply seated to be easily swayed.

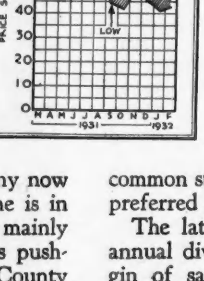
But whatever the cause of the company's success, the fact remains that the United States Tobacco Co. plods placidly along year after year and the startling discovery is made that there are few companies indeed which have proved such a profitable investment to common stockholders. A part of the American Tobacco Co. in 1911, a year later United States Tobacco was paying dividends on its own common stock at the annual rate of $5 a share. In 1913 double this amount was being paid and then followed cash extras, extras in script and a series of 20% stock dividends. The present rate is $4.40 in cash annually and as the stock can be purchased for some $60 a share the yield is more than 7%.

Yet, in spite of having paid some $25,000,000 in common and preferred dividends over the twenty years since segregation from the American Tobacco Co., the U. S. Tobacco Co. has plowed back well over $18,000,000 into the business only slightly more than $3,000,000 of which was raised from the sale of capital stock. Most of this increased worth is now in the form of working capital, for the company's fixed assets are less than $4,000,000 greater than in 1911.

Capitalization consists of 457,850 shares of no-par common, ahead of which there are only 26,000 shares of 7% cumulative, voting preferred stock of $100 par value. The senior issue is an exceedingly strong investment, amply protected by the earnings from a remarkably stable business and further protected against the imposition of prior liens. Moreover, it is noncallable and, although the company is retiring it, this must be done through purchase in the open market.

U. S. Tobacco's net profit last year was equivalent to $6.20 a share of common stock, which compared with $5.60 a share in the previous year. The company's bookkeeping practice tends decidedly towards the conservative. In the past large reserves have been set up for various contingencies, part of which from time to time were transferred to surplus having been found unnecessary. At the end of last year a strong financial position was reported. Current assets amounted to nearly $18,000,000, of which $5,790,000 consisted of cash on hand or on deposit. Current liabilities which were made up almost entirely of dividends payable and tax reserves totalled only $1,674,000.

First National Stores, Inc.



THE chain grocery store, purveying as it does the necessities of life at a low price, is logically among the enterprises most likely to resist depression. But even so there are not many which did better in 1931 than in the previous year, for the reason that the more luxurious items on which the greatest profit is to be made were in less demand and also because inventory losses are inescapable in a rapidly declining commodity market.

Nevertheless, there were some which surmounted these obstacles and among them is to be found First National Stores, Inc. This company now operates more than 2,600 stores and its sales volume is in excess of $100,000,000 annually. Activities are mainly confined to New England, although the company is pushing south and is already embracing Westchester County just north of the New York City limits.

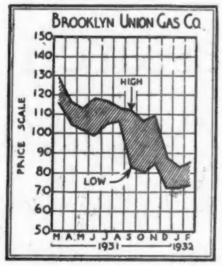
While the history of First National Stores, Inc. has been one of steady expansion, there have been no phenomenal bulges with the misery of indigestion in their wake. Many stores have been added, true, but the company has taken pains to see that they could be supervised properly and served properly. This accounts for the expansion behind the scenes, which has indeed been important. Centrally located warehouses are operated which are fully equipped for efficiently receiving and distributing groceries, fruits, vegetables and fresh meat and fish. The company also operates a bakery, various processing plants, food manufacturing, packing and coffee roasting plants. It bottles its own soft drinks, makes its own candy and operates its own garages, machine shops and printing plant. First National Stores sells many products under its own trade name "Finast."

Reflecting the company's extraordinary operating efficiency and despite some decline in dollar sales volume brought about by the lower price level, profits for the nine months ended December 26, 1931, were equivalent to $4.13 a share of common stock, based upon 813,786 shares, compared with $3.74 a share on a slightly larger number of shares for the corresponding previous period. Ahead of the common stock there is only 50,000 shares of 7% cumulative preferred stock of $100 par value and a small funded debt.

The latest earnings cover the company's regular $2.50 annual dividend more than twice over and this large margin of safety accounts for the comparatively low yield currently afforded—5% at the present price of $50 a share. It has been, however, the company's past policy to distribute about 50% of earnings, so that the raising of the dividend to $3 a share in the near future would appear to be a reasonable expectation. This is the more likely in view of the fact that there is no urgent reason for the company to conserve its cash. It has no large maturities to meet in the near future and its financial position at the end of last year was good. Current assets totaled $14,346,000, whereas current liabilities amounted to only $4,417,000, indicating that the company's working capital was just short of $10,000,000. At the end of 1930, the company's working capital amounted to $8,500,000, so that there was a substantial gain in this important item despite depression.

Brooklyn Union Gas Co.

OWING solely to its own unaided efforts, the Brooklyn Union Gas Co. succeeded in reporting a larger net income for 1931 than was shown for the previous year, despite the intensification of the depression and other adverse influences.



Specifically, the company was obliged to contend with a curtailment in the industrial demand for gas and a downward revision in rates. Under these conditions a reduction in the earnings of the Brooklyn utility would appear to have been unavoidable. This, however, was not the case. The company pushed the sale of domestic gas appliances of all sorts. There were classes for housewives. Demonstrators visited homes. As a result refrigeration and heating by gas gained vastly in popularity and contributed materially to the improved showing, to say nothing of the benefits derived from the increased use of gas for cooking purposes.

Operating efficiency also improved. Manufacturing was concentrated in four plants instead of six. Eighteen holders were found to be sufficient instead of twenty-one. The gas unaccounted for during the year dropped from 5.49% to 4.57%, while inequalities in the day's sent-out were much less pronounced than in the previous year. The 1931 showing, however, can in nowise be attributed to a saving in maintenance, for charges on this score were some 10% greater than in 1930.

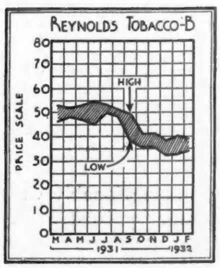
It is for these reasons that The Brooklyn Union Gas Co., having sold 327,000 M. C. F. of gas less and having 11,600 active meters less last year than was the case in 1930 managed to report larger net income. This amounted to $5,664,802, whereas in 1930 only $5,354,732 was shown. The later earnings were equivalent to $7.64 a share of common stock, based on the 741,086 shares outstanding at the end of the year.

The company's capitalization consists of this common stock which is of no-par value and a funded debt which totals $39,321,100. There are also notes payable outstanding in the amount of $7,700,000. The outstanding notes, however, do not represent in any way a dangerous position for this particular company. They have been much larger in previous years and, as the company's bonds enjoy an exceedingly high rating, no difficulty should be experienced in funding them advantageously at some later date.

The common stock of Brooklyn Union Gas is currently quoted around $84 a share and the yield on the regular $5 dividend is therefore in the neighborhood of 6%. In view of the fact that the company's business by its very nature is inherently stable and that dividends have been paid at substantial rates since 1899 with the exception of 1920 and 1921, the present well-protected yield can be considered satisfactory.

R. J. Reynolds Tobacco Co.

AGAIN the R. J. Reynolds Tobacco Co. reports an increase in profits. The year 1931 resulted in the eleventh consecutive gain, for profits totaled $36,397,000 after interest depreciation and federal taxes, compared with $34,257,000 for the previous year. Translated into per share earnings the results were $3.64 a share and $3.43 a share, respectively, based in both cases on the combined 10,000,000 shares of common and Class "B" common stock outstanding—the company's sole capitalization.



It is perhaps surprising that Reynolds managed to do so well in view of the decline in cigarette consumption which was quite marked in the final months of last year. There is also reason to believe that the company materially increased its advertising appropriations. But these factors which might well have contributed to lower earnings were offset from several directions. The most important of these was the increase in wholesale cigarette prices which went into effect in the middle of last year. Then there has been a steady decline in the cost of raw tobacco and other supplies, while the public's tendency to "roll its own" has not been all loss to Reynolds, for the company's "Prince Albert," "Golden Grain" and other tobaccos have undoubtedly encountered an increased demand. Unfortunately the exact details of shifts of this sort are not known, for the company publishes no production figures whatsoever.

The Reynolds Tobacco Co. is thoroughly entrenched in the field. Its products are well diversified and the good-will possessed is inestimable. Its resources are such that it can meet competitors at every point. There is but one thing which has disquieting possibilities. This is increased taxation. A government, should it try long enough, can tax any product out of existence. The Federal Government already imposes a levy of $3 a thousand on manufactured cigarettes, which is equivalent to 6 cents a package, or not far from 50% of the gross sales price. It has been proposed that even this tremendously heavy tax be increased, while the number of states imposing their own taxes on cigarettes is growing every day.

If the taxes can be passed along to the consumer without curtailing demand, well and good, but if the manufacturer in order to make sales must absorb any substantial part of them, then his earnings will undoubtedly be severely affected. While only the future can give the final answer to this problem, it is only fair to point out that cigarettes are considerably more expensive in England than they are here although the per capita consumption is greater. If this may be regarded as a criterion of the cigarette smoker's perseverence, then it would seem that we in the United States are still some distance away from that point where increased cost may be expected to have an important adverse effect on sales.

Moreover, part of the possible adverse effects of increased taxation on the Reynolds Tobacco Co. have already been discounted, for the Class "B" stock at current prices of about $37 a share yields more than 8%—a return which normally would be considered over-high for a security which has such a background of long success and impregnable financial position.

Scientific Research Successfully Applied

Long Record of Sustained Earnings and Dividend Payments Add to High Character of Unique Enterprise

By Ronald P. Hartwell

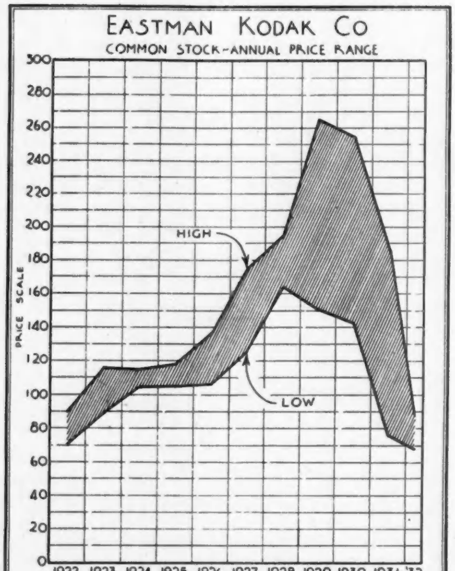
ONLY a limited number of corporations belong to that aristocracy of American business which is marked both by fabulous financial success and by a dominant and universal good will. High up in the ranks of these is the Eastman Kodak Co., launched more than fifty years ago by George Eastman, a pioneer of science and of industry whose name is scarcely less well known to the world than those of Thomas A. Edison or Henry Ford.

From the kernel that was planted when Eastman invented the dry plate in photography—followed later by the roll film which led Edison to invention of the motion picture camera—there has developed a $170,000,000 enterprise whose chief products literally command the markets of the entire world.

Inventive genius and continuous scientific research, which is now carried on in its laboratories by more than 500 technicians, are among the chief causes of Eastman's success. But there are other causes. Few companies can match it in efficient production and in expert merchandising, in furtherance of which Eastman has for years made exceptionally heavy expenditures for advertising of all kinds.

The stock of such a company necessarily invites investment consideration at a time when depression has made it available at the lowest quotation in many years. There is no funded debt ahead of the common shares and they are preceded by only $6,165,700 of 6% cumulative preferred stock. The common stock sold at a high of 264¾ in 1929, 255¼ in 1930 and 185¾ in 1931. Its recent low was 68½ and at this writing the price is approximately 75.

Admittedly, former prices are not by any means a safe investment guide,



since they unquestionably were inflated by a boom-era speculative psychology. Nevertheless, it appears obvious that after a market depreciation so vast the issue at least has closely approached, if not reached, a level of solid investment reality at which the stock's price probably can be taken as approximately ten times, or less, normal earning power per share.

It is the prospect of future earning power, of course, which is of most interest and importance in considering accumulation of the stock. In viewing it, it is perhaps necessary to emphasize at once that the investor has no sound reason for expecting Eastman in the future to prove the remarkable bonanza that it has been in the past. Like certain other phenomenally successful companies, its record is one of very fast growth over a period of years, followed later by a tendency toward a flattening out of the rate of growth in profits after dominance of the industry had been attained.

This sequence by which a young business passes into maturity is a familiar one. It does not necessarily end the attraction of a stock, particularly when it can be had at a price which may be reasonably regarded as taking this factor fully into account, but it does demand careful investment study.

The years when Eastman was a real bonanza were from 1905 to 1922, during which time and up until a 10-for-1 split-up of the common stock placed the shares on their present basis, a regular dividend of $10 annually was distributed, accompanied each year by extras ranging from $2 to $50 per share and throughout this period averaging $20 per share, thus making an annual average dividend of $30 per share.

The company's fastest expansion in earnings was accomplished between the years 1902 and 1916, in which period profits increased without interruption from $2,864,718 a year to $17,289,206. After a moderate decline in the war and immediate post-war periods, with earnings falling to $14,105,861 in 1921, the uptrend was again resumed, but on a more moderate scale. By 1929 a profit level of $22,004,915 had been attained.

It is interesting to observe that profits increased more than 500% in the fourteen years from 1902 to 1916, reflecting the growth of amateur and commercial photography and, in particular, the development of the motion picture industry. In the next thirteen years, however, or between 1916 and 1929, the additional aggregate gain in earning power was slightly less than 30%.

Lest the unfavorable significance of this factor be exaggerated, however, let it be hastily added that economic maturity is one thing for Eastman and quite

another for various other companies. Thus, economic maturity in the automobile industry would not only limit the profit prospects of some motor companies but definitely endanger their actual existence, for it would intensify an already intense competition.

Eastman Kodak Earnings and Common Dividends

	Net Income	Dividends	Divs. per Share
1931 (Est.)	$16,000,000	$18,100,000	$8.00
1930	20,353,789	18,088,980	8.00
1929	22,004,915	16,858,111	8.00
1928	20,110,440	16,452,300	8.00
1927	20,142,161	16,436,800	8.00
1926	19,860,635	16,395,480	8.00
1925	18,467,114	16,345,440	8.00
1924	17,201,815	16,267,400	8.50
1923	18,877,230	15,678,338	7.50
1922	17,952,555	12,574,963	5.00
1921	14,105,861	7,952,215	4.00

No such possibility is present in Eastman, for it is scarcely too much to say that this company is the industry and the industry is this company. It dominates its field to a virtually unique degree and has very little to fear from competitors so far as its principal products, namely film and cameras, are concerned.

Moreover, to say that the company appears to have passed its period of most rapid profit expansion does not by any means imply that all progress has ceased. It is, of course, a logical expectation that a normal recovery in general business will carry all branches of the Eastman company back up to a sales and profit volume substantially above the present. That alone should prove sufficient to justify satisfactory advance in the stock from present depression prices.

Beyond this intermediate prospect, however, is the assurance that Eastman can expect for an indefinite future to experience some degree of long-term expansion, both because of the normal growth of the world markets it serves and because of an emphasis upon research which from time to time develops new or improved products and at the same time steadily broadens the diversification of Eastman activities.

On the present shares Eastman between 1921 and the beginning of 1932 paid a regular annual dividend of $5 per share and an annual extra of $3. The last dividend declaration, recently made, was at only the regular rate, the extra payment being omitted. This action is the result both of reduced earning power under depression conditions and of a somewhat unusual conservatism in the management of the corporation's financial affairs.

Eastman earnings in the last decade have shown a notable stability, ranging from a low of $8.26 per share in 1924 to a peak of $9.61 in 1927. Earnings in 1928 were $9.60, in 1929, $9.57, and in 1930, $8.84. The decline from 1929 to 1930 was so small as to suggest clearly that the company was equipped to withstand depression with more than average success.

During 1931, as the depression deepened, there was a further decline in Eastman earnings, but the company's official annual report has not at this writing been issued, leaving the current trend of earnings subject only to conjecture. In omitting the extra dividend recently the company merely stated that "at the current rate of operations, the earnings of the company are not sufficient, in the opinion of the directors, to warrant the payment of any extra dividend."

This might imply 1931 earnings as low as $5 per share, but it is much more likely that unofficial estimates of approximately $7 per share are substantially correct and that omission of the extra is really less a matter of necessity than of wholesome conservatism. It need hardly be said that the wise investor who is looking to the future should be reassured, rather than alarmed, by such conservatism, for it is a fundamental mark of prudent management.

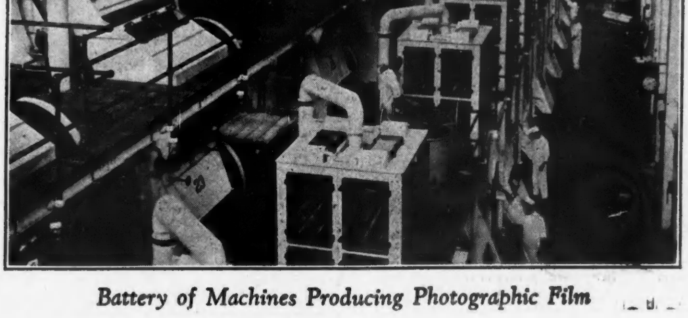
The fact is that Eastman is in a far stronger financial position than are most of the companies which have continued to please shortsighted stockholders by paying unearned dividends out of surplus, and that it could easily draw from its ample reserves sufficient funds to make up the deficiency in the $3 extra dividend if it regarded that as sound business policy.

But Eastman is not under obligation to stockholders, for it has never given them a lean year and, on the contrary, has for many years rewarded them richly. Hence, there is scant cause for complaint at a dividend reduction that is probably temporary. Since 1902 the company has not only paid out an unusually generous proportion of its earnings in dividends—approximately $300,000,000 having been distributed out of profits of $400,000,000—but out of surplus earnings is estimated to have plowed back fully $85,000,000 into the business. Since 1922 approximately 88% of earnings has been distributed in dividends, yet surplus after dividends for that decade has totaled more than $25,000,000.

Eastman's latest available balance sheet shows cash and margetable securities totalling approximately $36,000,000 and total current assets of $86,000,000, the latter item being in unusually conservative ratio to total plant investment carried at approximately $80,000,000.

In 1929 the company raised approximately $30,000,000 through issuance of rights to shareholders to subscribe to 205,590 additional shares of stock, this offering bringing total common stock up to the present basis of 2,261,030 shares. About half of this increased capital was

(Please turn to page 626)



Battery of Machines Producing Photographic Film

Market Indicators

For Profit

A Cheap Bond.

Actively traded upon the New York Curb Exchange are to be found the 6½% collateral trust debentures of Tobacco Products Corp. (N. J.). They are currently quoted around 87½ to yield about 7½% to maturity in 2022. They are secured in rather a curious way. The American Tobacco Co., well situated to carry out any contract it might enter into, leased from the Tobacco Products Co. (Va.) and its subsidiaries all their brands of cigarettes and smoking tobaccos for 99 years at an annual rental of $2,500,000. Under the plan of dissolution of the Virginia company, stockholders were given the debentures in the New Jersey corporation. They are secured by pledge of the lease with American Tobacco and it is estimated that the rental agreed upon will be sufficient to pay interest and amortize the issue by the maturity date. American Tobacco has the right to commute the lease on payment of the computed value, in which case the debentures become due and payable. In effect the payment of interest on the Tobacco Products debentures is a fixed charge of the American Tobacco Co. and therefore ranks ahead of the latter's preferred stock. Nevertheless, American Tobacco preferred yields little more than 5½% against 7½% for these debentures. This situation is ridiculous and the only reason to which it can be attributed is that the strength of Tobacco Products' debentures is less well recognized.

* * *

Shall a Company Buy Its Own Stock?

The balance sheet of the S. S. Kresge Co. as of December 31, 1931, showed that the company had been a large purchaser of its own stock during the year immediately preceding. An outlay of nearly $9,000,000 was made for this purpose and the company closed the year with 381,824 shares of its own stock which were carried on the books at an average price of $24.23 a share. The issue is currently selling some eight points lower so that the company now shows a paper loss on the deal of more than $3,000,000 This would perhaps not be so bad if cash holdings had not been reduced from more than $11,000,000 to less than $4,000,000 while doing it.

Without questioning the merits of this particular case in any way, there is a growing belief that the "insiders" are the last people in the world to have a clear idea as to the value of their own stock. They cannot see the forest for the trees. Moreover, there is a growing belief that the out-of-the-ordinary purchases by a company of its own stock is open to such grave abuses that it should be stopped. After all, there *is* something to be said for a company confining its activities to its own business and leaving the stock market alone.

* * *

Altered Status for U. S. Government Bonds.

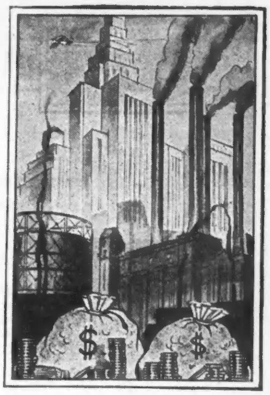
Should the proposed changes in the Federal Reserve Act eventually become law as there is every reason to suppose will be the case, it will materially alter the status of United States Government

One-Line Analyses of Common Stocks in this Issue from The

Information as of

	Company	Ticker Symb.	Listed	Rating	Business	Funded Debt	Shares Outstanding	Par	DIVIDENDS Rate	Payable	Record Date
1	American Gas & Electric	AGC	C	B1	Electric utility	50,000,000	3,907,812	No	1.00*	q-1/2	12/10
2	Brooklyn Union Gas	BU	N	A1	Brooklyn gas utility	39,366,100	740,186	No	5.00	q-4/1	3/1
3	Chi., Mil., St. P. & Pac.	ST	N	C2	Northwestern carrier	481,048,477	1,174,060	No	......	......	......
4	Commercial Solvents	CV	N	C1	Alcohol and solvents	None	2,528,999	No	0.60	q-3/31	3/5
5	Drug, Inc.	DRU	N	A1	Drug holding co.	42,862,987	3,500,307	No	4.00	q-3/1	2/15
6	Eastman Kodak	EK	N	B1	Photographic apparatus	None	2,261,320	No	5.00	q-4/1	3/5
7	Endicott-Johnson	EJ	N	C2	Shoe manufacturing	None	405,360	50	3.00	q-1/1	12/18
8	First National Stores	FST	N	B2	Grocery chain stores	1,500,000	820,700	No	2.50	q-1/2	12/18
9	Gen. Railway Signal	GRS	N	C1	Automatic railway signals	None	357,500	No	5.00	q-1/2	12/10
10	Loew's, Inc.	LW	N	C1	Theatres & motion pictures	32,880,446	1,464,205	No	3.00*	q-3/31	3/15
11	Natl. Cash Register 'A'	NCR	N	B3	Business equipment	None	1,190,000	No	1/15	/32 div.	passed
12	Pacific Lighting	PLT	N	A2	Gas & electricity	106,973,500	1,608,631	No	3.00	q-2/15	1/20
13	Pathe Exchange	PTH	N	C4	Motion picture producer	5,339,000	948,581	No	......	......	......
14	Radio Corp. of America	R	N	D1	Radio instr. & commun.	2,698,000	13,160,750	No	......	......	......
15	Reynolds, R. J. 'B'	RJRB	N	B1	Tobacco products	None	9,000,000	‡10	3.00	q-1/2	12/18
16	Stewart-Warner	STX	N	C2	Radio & auto. accessories	None	1,289,590	10	......	......	......
17	Union Pacific	UP	N	C1	Transcontinental carrier	427,518,420	2,222,916	100	10.00	q-4/1	3/1
18	U. S. Tobacco	UBO	N	A2	Tobacco products	None	457,850	No	4.40	q-1/1	12/14

‡—Non-voting. *—Extra payments made within past year in addition to quoted annual rate. av—Computed upon average number of shares outstanding in year. N.F.—No information. †—On old capitalization. my3—3 Mos. to May 3. d—Deficit. mr—Year



and Income

bonds. Whereas now Federal Reserve banks may only lend upon them to a limited degree, the new act gives them all the advantages of prime commercial paper as a backing for currency. This ought to make their market much broader and it is even possible that it might be used to prevent U. S. obligations from selling at a large discount as was the case but recently. Whether or not, however, it is altogether good for the Federal Reserve to have the power to dress-up Governments whenever it should feel so inclined is another matter.

* * *

Keeping Down With the Jones'

According to R. H. Macy & Co. it has always been smart to be thrifty, but now apparently we have reached that stage where it is smarter to be broke. Everyone is pleading poverty—often unnecessarily. There is the story of the New York matron with an income she could not spend if she tried, who is said to have explained to a friend that she was sorry to have dismissed her chauffeur. The step had to be taken, however, despite the fact that he was a nice man and had a wife and three children, because it was imperative that everyone economize at a time like this and she wished to set an example! It is similar psychology which is preventing many men from buying a new car, or a new yacht, or having that addition built. They either believe that they are furthering the good of mankind by keeping their excess dollars, or they think that their neighbors will consider them "bloated plutocrats" unless they too do without something which they can very well afford. Anyone buying anything new these days is to be congratulated, not condemned.

* * *

A "5 & 10" No Longer

The decision of the F. W. Woolworth Co. that beginning March 1 it would feature articles selling for as much as 20 cents in certain of its stores evokes a sense of loss. A principle, founded by a young man more than 50 years ago and with which he struggled mightily before its success was proven, is now no more. The new policy may, and probably will, increase the company's sales. It may, and probably will, increase profits. It certainly broadens the company's scope. But will it complicate the inventory problem? Possibly. This, however, is much less serious than the fact that an institution is dead. Our "5 & 10" has gone.

* * *

The Can Companies.

The year 1931 was one in which the two big can companies received something of a set-back. Not only was the aggregate pack of fruits and vegetables smaller than in the previous year, but the depression has its effect in curtailing the demand for general line containers. It is believed, however, that there has been marked improvement in the inventory position of canned foods which was disastrous at this time last year. If this is so then there ought to be a somewhat larger pack this year. Also, the long-term trend in the demand for general line containers is undoubtedly upwards and

(*Please turn to page 634*)

Magazine of Wall Street's Adjustable Stock Rating Booklet

February 29, 1932

EARNINGS				PRICE RANGE				Recent Split-up or Stk. Div.	Complete Analysis See Page	Comment	
Annual		Interim		1931		1932					
1929	1930	1930	1931	High	Low	High	Low				
5.98	4.37	4.49*se*	3.97*se*	97½	32⅛	39¾	31⅞	20% 1/31	600	Sound utility with good dividend coverage	1
7.54	*av*7.25	*av*7.25*de*	*av*7.65*de*	129⅜	72⅜	85	72½	....	607	Good management steadily improves earnings	2
0.95	*d*9.23	*d*9.23*de*	*d*16.85*de*	8⅞	1½	3¼	1¾	....	616	First quarter deficit likely triple last year	3
†1.51	1.07	1.07*de*	0.84*de*	21½	6⅝	9⅝	7¼	2% 9/30	616	Dividend reduced to conform to lower earngs.	4
†6.35	6.03	6.03*de*	5.55*de*	78¾	42¾	57	47⅝	....	617	Progressive company with good earngs. record	5
9.57	8.84	....	....	185¾	77	87⅞	68½	....	608	Net somewhat off but outlook continues good	6
5.01	0.14	0.14*de*	4.72*nv* 11	45⅜	23½	36⅛	25½	....	617	Oper. at 80% of cap., 20% up from last yr.	7
5.30*mr*	4.99*mr*	3.74*de*9	4.13*de*9	63	41	52¼	41½	....	606	Earnings maintained at about record levels	8
8.25	7.07	7.07*de*	3.33*de*	84⅛	21	28⅝	19¾	....	622	Feb. unfilled orders 23% less than in Feb. '31	9
7.91*ag*	9.65*ag*	9.65*ag*	7.43*ag*	63½	23⅞	32⅞	23¼	....	617	Earned Nov. q. $1.09 sh. vs. $1.69 sh. in '30	10
5.25	3.00	1.84*se*9	0.67*se*9	39¾	7½	11¼	7¼	....	624	Strong company but earnings heavily down	11
4.54	4.45	4.67*je*	3.97*je*	69½	35	41⅜	36½	900% '27	605	Fuel oil comptn. reduces gas earns. slightly	12
*d*0.60	*d*3.21	N.F.	*d*0.36*my*3	2⅞	¼	1	⅜	....	622	Large deficit likely to be reported for 1931	13
1.58	0.02	*d*0.23*se*9	0.004*se*9	27½	5⅛	10⅝	5¼	....	622	Subsid., Natl. Broadcastg., shows better profit	14
3.22	3.43	3.43*de*	3.64*de*	54½	32¾	40¼	32¾	....	607	Sales of cigarettes down and mfd. tob. sales up	15
5.37	0.98	1.53*se*9	*d*4.77*oc*	21⅞	4¾	6⅝	5	2% 2/30	617	Strong fin. position but operating at deficit	16
20.37	15.63	....	....	205⅛	70⅛	94½	65	....	598	January net oper. income off 58% from Jan. '31	17
5.21	5.60	5.60*de*	6.20*de*	71⅞	58⅞	63¼	59	20% 10/29	606	Financially strong and earnings trend upwards	18

ended March 31. je—Year ended June 30. ag—Year ended Aug. 31. de—Year ended December 31. se9—9 Mos. ended Sept. 30. de9—9 Mos. ended Dec. 31. nv11—11 Mos. ended Nov. 30. se—Year ended Sept. 30. oc—Year ended Oct. 31.

READERS' FORUM

The Readers' Forum belongs to the readers of THE MAGAZINE OF WALL STREET *and is intended exclusively to serve them in the discussion of problems of general investment interest. This department welcomes and invites contributions from its readers without imposing rigid restrictions as to their choice of subject matter. Stories of personal experience with, or personal opinion upon, investment problems, are particularly appropriate since they often are of interest to many. The services of this department also are available for answering investment questions of general interest excluding inquiries regarding the position or prospects of individual securities.*

Mass Psychology Makes the Business Trend

The Extreme to Which We Have Gone Suggests a Coming Swing in the Pendulum of Sentiment

By CHESTER GROW

IT has long been known among students of economic conditions that if the country's commercial activities are above normal we are in a period of prosperity, and if they are below normal we have a depression.

The percentage above or below normal is small, and it would make little difference in the general business conditions of the country, were it not for the psychological effect on the masses.

The majority of people are either carried away with enthusiasm or are "down in the dumps." They fail to realize that the percentage drop in the physical values of trade during a depression is relatively small; that a substantial volume of goods move continually from maker to user.

Maintaining a Balance

Is there any wonder that man is constantly torn with conflicting emotions, when every force in nature, every living and material thing he comes in contact with are controlled by the same law; the law which requires two opposing forces to maintain a balance. Not only in electricity do we have a positive and negative; the two poles or forces are in everything and everywhere. In people the opposing emotional waves are love and hate, joy and sorrow and optimism and pessimism. This emotional law of optimism and pessimism is what puts momentum in the swings of the prosperity and depression pendulum.

Man follows this law instinctively and is carried to great extremes by the influence of his environment. During periods of prosperity his whole being is filled with optimistic suggestions; everybody talks it; the papers and magazines are full of it, and along with friends and associates he is making money. But just as the wave in the sea can only get so high until the force of gravity overcomes it, and it returns to its level or lower, so the high wave of prosperity is ended when the buying power will no longer take care of the increased production. Mills close down, thousands are thrown out of work. The positive optimistic thoughts are becoming negative in order to again establish an equilibrium, but the bad news has been at work on the unconscious mind and the momentum attained carries beyond normal into a period of depression.

The effect of psychology is aptly illustrated in the effect the Federal Farm Board had on the farmer. It was the desire of the Farm Board to decrease the total acreage in wheat. But what did the farmer do? In the fall of 1930 he planted the same acreage or increased it. The request of the Farm Board could have little effect when back in the farmer's mind was the idea the Farm Board was created to help him by keeping the wheat at a price at which he could make a good profit.

The Effect of Psychology

When business conditions improve, psychology will be the main factor in boosting us along the road to prosperity, and it is the general belief the turn has come. The average business sentiment is now optimistic instead of pessimistic, and one of the longest periods of economy is beginning to show itself in the replacement of merchandise.

The American business structure is strong, and develop-

ments of late indicate with reasonable assurance that business recovery should be in progress by the middle of 1932.

We have reason to be optimistic. We have the most magnificent country in the world, a vast area from ocean to ocean with wealth that has hardly been touched. We also have that great wealth that lies in intellectual genius; greater than material wealth are the men of courage, physical and mental, all around us. A country such as this recovers quickly from the grasp of a depression period.

The late Federal Reserve figures show the hoarding of money has started to decline. This would indicate a change of sentiment is now taking place among all classes of people; this feeling of optimism will gain momentum as time passes and the pessimist who has held sway for more than two years will gradually pass out of the picture. There will soon be increasing employment and more business for those who go after it.

Value Versus Price

Earnings and Assets, Not Distress Selling, Will Ultimately Make Quotations

By E. Merle Zimmermann

A NEST of hornets of argument, refutation and denial, will be stirred up by the statement that "Value is not established by price." It has been so thoroughly drilled into most every one that the value of anything is that which one can get for it, that many find it difficult to believe anything to the contrary. But, has not the swing of the pendulum from one extreme to the other in the securities markets during the past two years entirely discredited this theory?

It will now be readily admitted that in the fall of 1929 when stocks were selling at one hundred and twenty times earnings and forty times assets, they were far above actual value. But many were so thoroughly sold on the "new era" bunk, they thought entirely new levels had been established. Numbered among those who held to this theory were usually astute students of the market, including a college professor who wrote a book on the subject, also a banker and a well-known economist both of whom on the morning of the wide-open break on the Stock Exchange in October, 1929, came out with statements that "Stock prices are now low enough." It is not at all surprising that the general public persisted in reaching for stocks at inflated prices during the summer of two and one-half years ago, when such leaders of thought were deceived by appearances.

The Other Extreme

Now, with the pendulum swinging to the other extreme, with securities selling at but a fraction of the figures at which annual average earnings entitle them to sell, those who climbed for stocks in 1929, think the bottom is going to fall out of the market; when the fact is, securities are selling at such absurdly low levels it is doubtful if the present generation will again witness such opportunities. Current prices do not in any way at all reflect actual values of many stocks and bonds.

The headaches brought about by the decline in prices of equities in which quotations of stocks listed on the New York Stock Exchange, were marked down from above 89 billion dollars in September, 1929, to about 31 billion on the first of December, last, are equalled only by those caused by the shrinkage in bond values. Probably the headaches from the latter cause are far more numerous, due to the far-reaching effects of the panicky condition of the bond market during the past few months.

Quotations were almost without significance in the hectic bond market in October when the banks over the country were dumping securities overboard for what they would bring, in their efforts to raise cash with which to satisfy the demands of depositors motivated by the hoarding-hysteria wave which swept over this and European countries. Spreads between bid and asked prices on the New York Stock Exchange ran anywhere from 15 to 68 points, a condition almost without precedent in this market. Bids faded away on some of the highest grade municipals in the over-the-counter market; there just wasn't any such thing.

An illustration of the wild dumping of bonds is furnished by the experience of a bank in a small town. A customer afflicted with hoarding-hysteria whose balance totaled $30,000 notified the bank that he wanted to withdraw his funds and wished the entire amount in gold certificates. He was kind enough to give the bank two weeks' notice, but this did not help it much as in selling bonds to realize the cash with which to pay him, the bank was compelled to lose over $60,000.

Setting Up False Values

Such necessitous liquidation, while recording distressed prices on the ticker tape, does not in any way at all affect the real value of the bonds sold. It should be distinctly understood by all investors and also by everyone within whose province it falls to evaluate securities, that a market

(Please turn to page 626)

Concrete Evidence of Seasonal Upturn Not Yet Evident

Paper

Overcapacity Eliminates Profits

FINE paper manufacturing, now at only 67% of capacity, has made only slight profit margins in the past several years because of increasing plant capacity and declining prices. On account of the present low level of output, accompanied by stronger competition, the slight margins enjoyed in the past have been eliminated. Demand, although not fluctuating as much as for other types of papers, has dropped steadily and some time may pass before noticeable improvement develops.

Production of paper towels and tissues has increased steadily since 1922, and demand has kept pace with output to such an extent that this is the

(*Please turn to page* 634)

COMMODITIES*

(See footnote for Grades and Units of Measure)

	1932 High	1932 Low	Last*
Steel (1)	$0.01¾	$0.01½	$0.01⅝
Steel (2)	0.01⅝	0.01½	0.01⅝
Pig Iron (3)	15.50	15.00	15.50
Copper (4)	0.07½	0.05½	0.06
Lead (5)	0.03¾	0.03½	0.03½
Petroleum (6) ..	0.69	0.69	0.69
Coal (7)	1.50	1.20	1.30
Cotton (8)	0.07	0.06⅜	0.06⅞
Wheat (9)	0.86	0.49	0.62
Corn (10)	0.38⅛	0.32¼	0.32½
Hogs (11)	14.00	7.50	10.00
Steers (12)	14.00	9.00	11.00
Coffee (13)	0.09¼	0.08¾	0.09
Rubber (14)	0.04 5/16	0.03¾	0.03¾
Wool (15)	0.60	0.57	0.58
Sugar (16)	0.03⅛	0.02⅞	0.02⅞
Paper (17)	53.00	53.00	53.00
Lumber (18)	17.67	13.59	13.76

*Feb. 29, 1932.

(1) Sheets, Pittsburgh, cents per lb. (2) Bars, Pittsburgh, cents per lb. (3) Basic Valley, $ per ton. (4) Electrolytic, cents per lb. (5) Pig (N. Y.) c. per lb. (6) Kan., Okla., 32-32.9 deg. $ per bbl. (7) Pitts., steam mine run, $ per ton. (8) Middling (Galv.), cents per lb. (9) No. 2, Hard, Winter (Kan. City), $ per bu. (10) No. 3 Yellow (Chic.), $ per bu. (11) Fresh loins, 10-12 lb. (N. Y.) $ per 100 lb. (12) 550-700 lb. (N. Y.), $ per lb. (13) Santos, No. 4 (N. Y.), c. per lb. (14) Smoked Sheets (N. Y.), cents per lb. (15) Fine staple, clean (Boston), cents per lb. (16) Cuban, raw 96 deg. deliv. (N. Y.), cents per lb. (17) News Rolls (N. Y.), $ per ton. (18) Yellow pine boards, f.o.b. per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—Further unseasonable recession in steel ingot output has occurred, the industry operating at only 26% of capacity. Stagnant automobile production, especially of cars in the low priced field, has been chiefly responsible for this unusual falling off in steel requirements. New orders for rails and construction materials are negligible. Quotations for pig iron and steel products continue unchanged.

PETROLEUM—Suppressed drilling and maintenance of the 75 barrels daily average flow in East Texas wells again reduced weekly crude oil output. Gasoline distillation has been curtailed effectively during the past five weeks and stocks are smaller than a year ago. Prices, however, have failed to respond to the better statistical position and remain at low levels.

COPPER—Lack of domestic inquiries and insignificant foreign sales has caused copper prices to recede to new lows. Domestic second-hand copper is quoted at 5½ cents a pound delivered, and c.i.f. export quotations are around 6⅛ cents. Although statistics have not been published, stocks are known to be huge. The conference now under way between Belgian and American producers at New York has shown no results.

HIDES—Since the settlement of the packer-tanner controversy hardly more than half the large packer hide accumulation has been moved and the excessive stocks overhanging the market broke March futures into further low ground. From the high of 5.65 cents a pound last week March options receded to 4.80. The drastic decline in hide quotations of over 40% from the year's high seems to have over-discounted the somewhat excessive supplies.

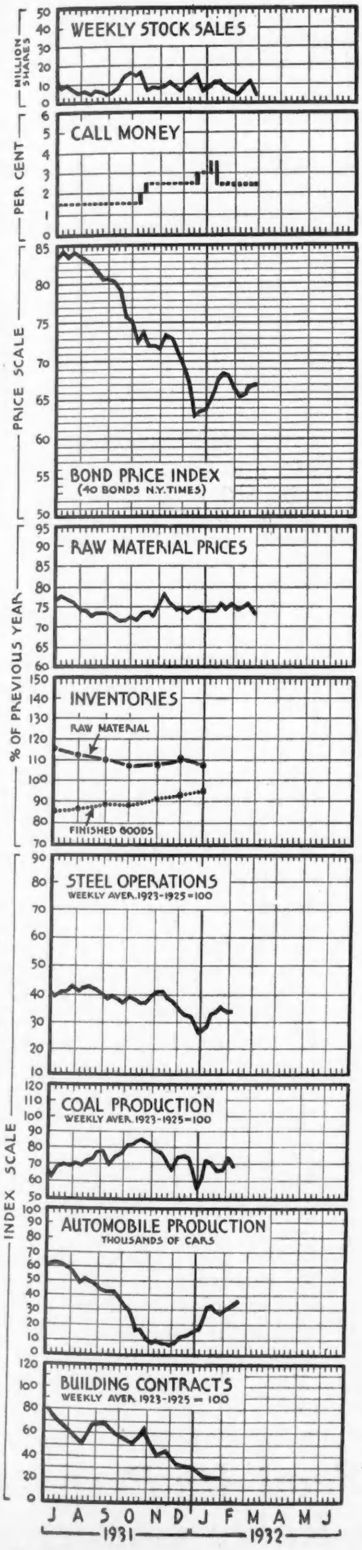
CHEMICALS—Quotations for chemicals, both heavy and light varieties, have remained firm during the past two months. Manufacturing output has declined considerably from that of a year ago and stocks on hand remain at record levels. Imports of potash salts and nitrate of soda are running smaller than at any time in the depression. Although volume of business has been reduced, many chemical companies, notably the specialties, have made moderate profits.

AUTOMOBILES—Although February automobile output customarily registers a gain over that of January, the reverse appears likely from indications to date for this year. March production also is expected not to display full seasonal gains. New buying has been deferred until the effect of the new Ford models can be judged and the automobile business can be expected to mark time until the end of March.

RUBBER—Stocks of rubber in the U. S. in January were 322,860 long tons, greatly exceeding the figure of 209,487 tons reported for January, 1931. Although January registered a gain in consumption of over 30% from December, the increase was entirely seasonal. Restriction negotiations to date have been fruitless and oppressively bearish production figures just announced drove February rubber futures at New York to new lows of 3.57 cents a pound. Because of lack of organized output little hope exists for better prices.

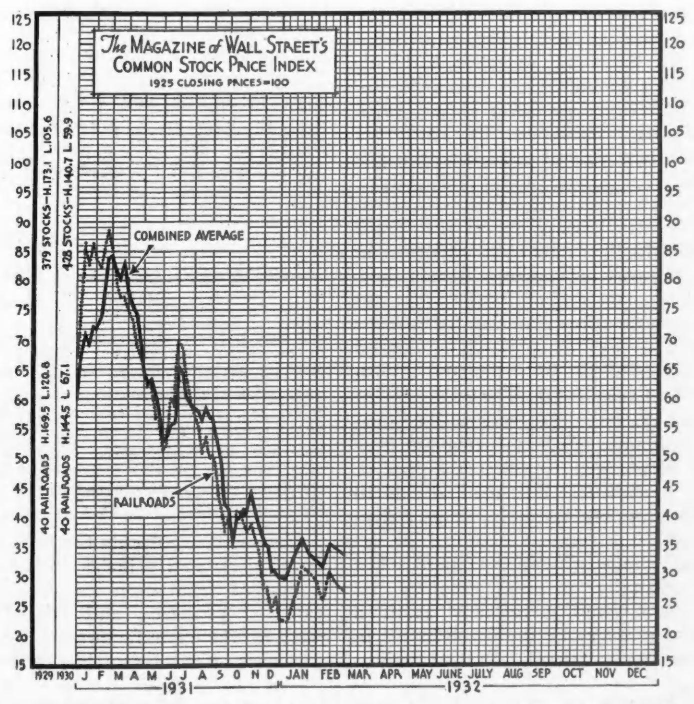
The Magazine of Wall Street's Indicators

Business Indexes



Common Stock Price Index

1931 Indexes High	1931 Indexes Low	1931 Indexes Close	No. of Issues	Group	1932 Indexes High	1932 Indexes Low	Feb. 13	Feb. 20	Feb. 27
84.4	29.2	30.0	345	COMBINED AVERAGE	36.4	29.3	35.3	34.8	33.9
142.4	33.0	34.8	4	Agricultural Implements ...	48.3	34.3	38.3	41.3	38.0
121.2	19.7	21.2	7	Amusements	43.0	20.7	41.6	41.8	37.7
76.9	23.9	23.9	21	Automobile Accessories	27.8	23.6	26.1	26.8	26.0
37.0	12.1	13.1	16	Automobiles	14.4	12.1	13.3	12.7	12.1
74.2	22.3	31.7	4	Aviation (1927 Cl.—100)....	34.6	26.8	34.6	33.5	32.0
38.4	8.3	9.7	3	Baking (1926 Cl.—100)	11.7	9.3	10.8	10.8	11.7
212.8	112.5	112.5	2	Biscuit	126.2	110.6	126.2	125.4	122.3
162.2	48.1	49.5	5	Business Machines	59.5	48.9	55.8	56.6	55.9
188.5	96.5	99.3	2	Cans	111.2	96.5	111.2	111.0	110.5
157.8	76.2	81.6	7	Chemicals & Dyes	88.8	79.0	88.0	88.8	87.9
71.8	20.8	21.4	3	Coal	26.7	20.4	23.6	25.8	24.6
73.7	18.9	19.5	19	Construction & Bldg. Mat...	24.6	19.1	22.7	23.2	21.7
92.4	30.1	30.2	11	Copper	36.7	29.8	32.7	31.1	29.9
98.0	45.8	47.2	2	Dairy Products	52.6	45.8	52.6	51.9	52.6
30.2	9.6	10.1	9	Department Stores	14.8	9.6	12.5	11.9	11.8
120.4	52.0	53.1	8	Drug & Toilet Articles......	62.2	52.0	62.2	61.3	58.3
149.3	44.7	46.9	5	Electric Apparatus	55.1	45.4	55.1	52.0	48.6
21.5	4.3	4.6	3	Fertilizers	5.5	4.4	5.0	4.6	4.5
91.3	40.8	41.7	2	Finance Companies	53.3	39.0	53.3	51.8	51.1
80.1	43.7	45.3	7	Food Brands	49.6	44.2	49.6	47.3	47.2
83.0	44.4	45.0	3	Food Stores	50.5	43.7	49.1	50.2	50.5
51.7	21.7	21.8	3	Furniture & Floor Covering..	35.8	21.0	35.0	33.1	32.6
45.5	16.6	17.0	5	Household Equipment	21.1	16.7	21.0	20.1	21.1
89.5	17.1	19.1	10	Investment Trusts	26.0	18.1	25.6	26.0	24.5
96.3	26.1	26.1	3	Mail Orders	27.4	21.3	25.4	23.7	23.6
69.2	22.3	23.4	31	Petroleum & Natural Gas...	27.9	23.4	27.1	26.6	26.2
68.8	12.7	13.0	4	Phonos. & Radio (1927—100).	17.5	13.0	16.6	16.1	15.7
196.8	77.0	78.1	20	Public Utilities	86.1	76.3	86.1	83.8	81.0
73.1	20.6	21.2	10	Railroad Equipment	26.9	20.8	26.2	25.4	24.6
88.4	22.5	22.5	30	Railroads	31.3	22.0	30.5	28.5	27.6
100.7	41.8	41.8	3	Restaurants	41.8	35.1	39.4	39.3	39.6
38.0	8.8	8.8	3	Shipping	14.3	8.8	12.4	13.2	14.1
183.4	82.0	82.0	2	Soft Drinks (1926 Cl.—100).	89.2	76.9	89.2	84.2	82.1
92.3	25.3	25.8	9	Steel & Iron................	30.7	24.9	30.1	30.7	28.4
18.9	7.3	7.3	5	Sugar	9.4	6.3	8.0	7.6	7.3
218.0	84.2	89.5	2	Sulphur	100.9	87.2	100.9	98.1	97.2
132.4	44.5	44.5	3	Telephone & Telegraph......	53.4	41.8	53.4	53.4	51.0
46.0	16.1	18.2	5	Textiles	24.6	18.2	21.8	22.1	24.6
15.8	4.4	4.9	5	Tires & Rubber	5.9	4.5	5.9	5.4	5.2
78.6	47.0	48.3	5	Tobacco	62.4	48.3	60.9	62.4	61.8
86.1	26.1	26.1	4	Traction	48.2	25.5	41.0	42.0	48.2
82.0	44.5	44.9	2	Variety Stores	50.9	43.8	50.9	47.3	46.6



(An unweighted index of weekly closing prices; compensated for stock dividends, rights, and splitups; and covering about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange.)

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2. Confine your inquiries to *three securities only.*
3. Write name and address plainly.

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CHICAGO, MILWAUKEE, ST. PAUL & PACIFIC R. R. CO.

In view of the several recent favorable developments in the railroad situation, I cannot understand why "St. Paul" common remains so low. I would like a report on the prospects for this road since I am considering the purchase of the common as a long pull speculation.—B. K. C., Utica, N. Y.

In common with other railroads operating in the territory, Chicago, Milwaukee St. Paul & Pacific R. R. was severely affected last year by the sharp falling off in loadings of coal, iron ore, and forest and agricultural products. The decline in coal traffic contributed most to the drop in gross earnings, since this commodity is the most important revenue producer for the road. Preliminary reports of "St. Paul" for the calendar year of 1931, reveal a loss of $4,669,074, after taxes and charges, but before interest on adjustment mortgage bonds. This compares with profit of $4,258,275 equal to 2.33% on $182,873,693 adjustment bonds outstanding at the end of 1930. Final loss for last year after allowing for interest charges on the above bonds amounted to $13,813,759 as compared with $4,885,410 for 1930. The management has cut operating expenses to the bone, but economies effected during the year were insufficient to offset the loss of gross revenues. The road stands to benefit from the voluntary wage reduction of 10% recently accepted by organized railroad labor unions, but fundamentally, material earnings improvement must necessarily await a general recovery of trade conditions in the territories served. Present indications are that this is not in early prospect. Financial position of the road is satisfactory, and at latest reports, the road has ample funds to meet its fixed charges without endangering its position. Moreover, maturities falling due in the current year amount only to approximately $3,800,000. No interest has been paid on the adjustment mortgage bonds since October 1, 1930, and inasmuch as interest payments on this issue are cumulative at the rate of 5% per annum, such charges are increasing at a comparatively rapid rate, and must be eliminated before any consideration can be given to distributions on either the preferred or common stocks. Although current prices for "St. Paul" common appear well deflated in relation to long term potentialities, we frankly see little to be gained by hastening purchases of the stock at this time.

COMMERCIAL SOLVENTS CORP.

I have a couple of stocks which I regard as speculative investments. One of these is Commercial Solvents. I have got the impression that this company has spread its activities a good deal recently and do not know whether this is to be regarded as favorable or unfavorable. Please tell me what you can on this latter point and let me know your opinion about selling now.—D. J. A., Washington, D. C.

Commercial Solvents Corp. is a producer of butanol, a butyl alcohol which is derived from corn and rye under patented processes, and related lines used in the manufacture of lacquers, varnishes, film, automobile and other finishes, explosives, celluloid, artificial silk, patent leathers and other products. Due to the slack conditions prevailing in the automobile and textile industries in 1931, earnings declined to 83 cents a share from the $1.07 a share shown in 1930. In order to improve its liquid position, the company shut down its plants for an interval, and sold its inventory down to $1,418,476 from $2,549,045 carried at the end of 1930. The company was in a very strong balance sheet position at the end of 1931 with current assets of $6,694,006 of which $4,804,303 was in cash, U. S. Government and other marketable securities, compared with current liabilities of $806,428. After payment of dividends at the rate of $1 a share annually in 1931, the company showed a deficit of $411,683. Distributions were bought in line with current earnings, by the reduction, in February, of the annual rate to a 60-cent basis. Earnings from the established divisions of Commercial Solvents cannot be expected to show important improvement until the automobile and textile industries become more active, but the company has prepared for future growth in new fields. Two new subsidiaries have been organized, one jointly owned with du Pont and the other with Corn Products Refining Co. One of these, the Resinox Corp., has been experimenting for some years in the development of synthetic plastics and rosins which are used in the manufacture of automobile fittings and novelties. The other subsidiary, the Krebs Pigment & Color Corp., in which Commercial Solvents and du Pont have joint interests, is de-

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veloping new color processes which should contribute to the earnings of both Commercial Solvents and du Pont. In the light of the situation outlined above, we feel that the shares of Commercial Solvents have distinct speculative possibilities, and retention in preference to sacrificing at prevailing levels is justified.

DRUG, INC.

What can you tell me about Drug, Inc.? I have not seen the company referred to in the financial columns since the first of the year. I own 250 shares bought at higher levels than today's price.—H. L. M., El Paso, Texas.

Drug, Inc., primarily a manufacturer of medicines and household supplies, has reinforced its position by the development of a system of more than 12,000 retail outlets, directly owned or affiliated. Through extensive advertising of its products, combined with its effective distribution facilities, the company has enjoyed a notably stable demand and earnings have held up well in the face of generally adverse trade conditions. In 1931, the company reported net earnings of $5.55 a share compared with $6.03 a share in 1930. In the first six months of 1931, earnings were equal to $3.04 a share compared with $3.01 a share in the first half of 1930, so that the moderate contraction in earning power for 1931 took place in the final half. Earnings of foreign subsidiaries, the principal one being the Boots Pure Drug Co., Ltd., declined about $500,000 as a result of the depreciated value of foreign exchange. This amount was equal to only 14 cents a share on the 3,501,499 shares of Drug, Inc., outstanding. On December 31, 1931, current assets of Drug, Inc., and its subsidiaries amounted to $61,084,687 of which $26,217,832 was in cash, and marketable securities against current liabilities including Federal taxes of $12,196,124. This was a somewhat stronger position than that shown at the end of 1930. In view of the record of the Drug management and the manner in which consumer demand and earnings have been stabilized, we look upon the shares, currently selling to yield an attractive return on the well secured $4 dividend, in the light of a promising long pull medium, and counsel against the disposal of shares purchased at higher levels.

ENDICOTT-JOHNSON CORP.

Can you tell me how Endicott-Johnson is weathering the hard times and what the outlook is for their earnings? I paid 48½ for 100 shares in 1930.—H. A. S., San Francisco, Calif.

Endicott-Johnson Corp., one of the two largest shoe manufacturing concerns in the country, shared fully in the improved conditions under which some of the shoe manufacturers operated in 1931. In the 11 months ended November 30, 1931, the company showed net earnings of $4.84 a share after preferred dividends, compared with net earnings of $0.14 a share in the full year 1930. In the 11 months' period, dollar volume of production was off about 11½%, but unit production was substantially higher and control of costs permitted the improved earnings. 1932 outlook is favorable, with orders thus far running ahead of those for a year ago. Production is currently placed around 100,000 pairs of shoes a day, or around 77% of capacity. This is the second largest company in the industry and is a well integrated organization, making rubber heels and soles, and tanning nearly all of its own leather. The company also controls numerous retail shoe stores and holds sales contracts with leading department stores and other outlets. In the balance sheet dated November 28, 1931, the company had current assets of $26,555,533 including cash of $3,920,859 against total current liabilities of $2,809,435. On the basis of this balance sheet and the substantial margin of earnings over dividend requirements, the $3 per share annual dividend rate may be regarded as comparatively safe. We therefore regard the shares as possessing long term possibilities and counsel against their disposal at current prices.

STEWART-WARNER CORP.

What is the outlook for Stewart-Warner common? Do you regard the shares a good buy at the present time? An analysis will be appreciated.—L. A. F., Richmond, N. Y.

Largely in reflection of curtailed activity in the automotive industry, earnings of Stewart-Warner Corp. for the calendar year of 1931, continued the downward course in evidence during 1930. Last year's operations incurred a deficit of $1,830,171 in contrast with a profit of $1,262,278 equal to 97 cents a common share for 1930. In more recent years, Stewart-Warner has endeavored to diversify its operations, but, to date, new undertakings for the most part have been comparatively unprofitable. As a matter of fact, to the best of our knowledge, the "Alemite" division appears to have been the only one to report successful operations last year. Future prospects of the company are clouded by increasingly keen competition in the automotive accessory field, with the result that profits on sales are likely to remain restricted for some time to come. Financial condition at the close of 1931 was sound. As of December 31, last, current assets, including cash, bankers' acceptance, and U. S. Government securities aggregating $4,383,736, amounted to $9,250,867, compared with total current liabilities of only $947,764. Despite this strong position, resumption of dividends on the common stock is likely to be deferred until definite indications of a turn for the better for the company are in evidence. We do not regard Stewart-Warner common as an attractive opportunity at this writing and therefore would not endorse commitments.

LOEW'S, INC.

As a new subscriber I want to check up on my stock holdings in Loew's. Do you advise carrying this?—S. G. K., Providence, R. I.

Loew's, Inc., holds a prominent place in the amusement industry through its operations as a producer, distributor and exhibitor of motion pictures. Thus far, the company has escaped to a large degree, the contraction in earnings suffered by its competitors. For the year ended August 31, last, earnings were equal to $7.43 a share against $9.65 a share in the 1930 fiscal year, although a less favorable comparison was shown in the 12 weeks ended November 20, 1931, when net profit was around $1.09 a share compared with $1.69 a share in the corresponding 12 weeks of 1930. In connection with the interim report, it was officially stated that the decrease occurred mainly during the six weeks from September 1 to October 15, and that from the latter date to the end of the quarter, business improved materially and reached a rate equal to that for the corresponding period of 1930. Loew's strength is largely due to its conservative capitalization which consists of approximately $35,000,000 of funded debt, $4,800,000 of subsidiary preferred stock, 143,414 shares of $6.50 cumulative preferred stock of the parent company and 1,464,205 shares of common stock. The company owns a valuable group of motion picture and vaudeville theaters, mainly acquired before the period of high real estate and construction costs. A 46% interest in Loew's, formerly held by the Fox Film Corp., has been transferred to other interests, and a merger of Fox Film and Loew's is unlikely now. However, in view of the stronger position occupied by Loew's, this development cannot be considered unfavorable to Loew's stockholders. With earnings remaining well in excess of the $3 annual dividend requirements, in addition to which $1 annual extras were paid in 1930

(Please turn to page 622)

New York Stock Exchange

RAILS

	1930		1931		1932		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	2/24/32	Share
A								
Atchison	242½	168	202⅝	79¼	94	71	80⅛	6
Do Pfd.	108¾	100	108¼	75	86	76½	83	5
Atlantic Coast Line	175½	95¼	120	25	41½	25¼	30	4
B								
Baltimore & Ohio	122⅝	55⅜	87⅞	14	21⅜	12¾	17⅛	..
Bangor & Aroostook	84½	50⅛	66¾	18	24¼	18¼	†20⅛	2
Brooklyn-Manhattan Transit	78⅝	55⅛	69⅜	31⅛	45¾	30½	45⅛	4
Do Pfd.	98¾	83	94¼	63	75½	68	75¼	6
C								
Canadian Pacific	52¼	35¼	45⅝	10¾	16¼	10⅞	15¾	1¼
Chesapeake & Ohio	51⅜	32⅜	46½	23⅜	31½	21⅛	23⅞	2½
C. M. & St. Paul & Pacific	26⅜	4¼	8⅞	1½	3¼	1¾	†2¼	..
Do Pfd.	46¼	7¾	15⅜	2½	5¼	2¾	4	..
Chicago & Northwestern	89⅞	28½	45½	5	12⅝	6	8⅞	..
Chicago, Rock Is. & Pacific	125⅛	45¼	65½	7⅞	16⅜	8½	10½	..
D								
Delaware & Hudson	181	130⅛	157¼	64	89½	65½	85	9
Delaware, Lack. & Western	153	69½	102	17¾	28¾	17⅜	20½	..
E								
Erie R. R.	63¾	22⅛	39¾	5	10	5¼	†8½	..
Do 1st Pfd.	67⅜	27	45½	6⅜	13½	7¾	†10	..
Do 2nd Pfd.	62½	26	40½	5	9½	5½	†5½	..
G								
Great Northern Pfd.	102	51	69¾	15⅝	25	16⅛	20	2
H								
Hudson & Manhattan	53⅜	34⅞	44½	26¼	30¾	26⅞	28⅝	3½
I								
Illinois Central	136¾	65¾	89	9⅛	18¼	9½	13½	..
Interborough Rapid Transit	39⅛	20⅜	34	4⅝	12⅛	5⅛	12⅛	..
K								
Kansas City Southern	85⅝	34	45	6⅞	13¼	8½	9⅜	..
Do Pfd.	70	53	64	15	23¾	17¾	†16	4
L								
Lehigh Valley	84⅞	40	61	8	18	10	†11⅝	..
Louisville & Nashville	138½	84	111	20¼	32⅜	21	†23½	4
M								
Mo., Kansas & Texas	66⅝	14⅞	26¾	3⅞	7¾	4⅛	†5½	..
Do Pfd.	108⅜	60	85	10½	21⅞	11¾	16¼	..
Missouri Pacific	98½	20⅜	42¾	6⅝	11	5¾	8⅛	..
Do Pfd.	145½	79	107	12	26	12	19⅛	..
N								
New York Central	192¾	105⅛	132¼	24⅞	36⅝	24½	30¼	..
N. Y., Chic. & St. Louis	144	73	88	2½	9½	4	†6	..
N. Y., N. H. & Hartford	128⅛	67⅝	94⅞	17	31⅝	17⅝	25⅜	..
Norfolk & Western	265	181½	217	105⅝	135	111	128½	*12
Northern Pacific	97	42⅜	60⅞	14½	23¼	14⅝	19¾	3
P								
Pennsylvania	86⅝	53	64	16¼	23⅜	17⅛	20	2
Pere Marquette	164½	76½	85	4	13	6½	†11	..
Pittsburgh & W. Va.	121¾	48½	86	11	15	8	†8	..
R								
Reading	141½	73	97½	30	42	29⅛	32⅞	2
Do 1st Pfd.	50½	44⅛	46	28	33	27	†26½	2
S								
St. Louis-San Fran.	118⅞	39¾	62¾	3	6⅝	3	4⅜	..
St. Louis-Southwestern	76¾	18	33½	4¼	11⅛	7	†7	..
Southern Pacific	127	88	109½	26½	37⅝	25⅛	28⅛	..
Southern Railway	136¾	46½	65⅞	6⅜	13	7½	10½	..
Do Pfd.	101	76	83	10	20½	11	†14	..
U								
Union Pacific	242¾	166⅛	205⅛	70⅛	94½	65	82¼	10
Do Pfd.	88⅜	82¼	87	51	68	62	†63½	4
W								
Western Maryland	36	10	19⅝	5	7¾	4⅞	6	..
Do 2nd Pfd.	38	11¼	20	5	8⅛	6	6	..
Western Pacific	30½	7⅛	14⅞	1¾	4	2¼	†2¾	..
Do Pfd.	53½	23	31⅝	3	6⅝	3¾	†4¾	..

INDUSTRIALS AND MISCELLANEOUS

	1930		1931		1932		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	2/24/32	Share
A								
Adams Express	37⅝	14¼	23½	3⅛	5¾	3¾	5	..
Air Reduction, Inc.	156⅜	87½	109¾	47⅝	59⅜	46	55¾	*4½
Allegheny Corp.	35¼	5¾	12¾	1⅛	3⅛	1¼	2½	..
Allied Chemical & Dye	343	170¼	182¾	64	83½	62¼	76⅞	6
Allis Chalmers Mfg.	68	31¼	42¾	10⅛	13⅝	10⅛	10¾	.50
Amer. Brake Shoe & Fdy.	54⅝	30	38	13½	15⅛	12	13⅛	1.60
American Can	156½	104⅝	129¾	58⅛	73⅜	54⅛	67⅛	*5
Amer. Car & Fdy.	82½	24⅛	38¾	4⅛	8⅛	6¼	7⅛	..
Amer. & Foreign Power	101¾	25	51¾	6⅛	9¼	6¼	7⅝	..
American Ice	41⅞	24½	31⅝	10½	17½	12	14⅝	2
Amer. International Corp.	55⅜	16	26	5	8⅛	5	7⅜	..
Amer. Mchy. & Fdry.	45	29¾	43¾	16	22¼	17⅛	20⅛	1.40
Amer. Power & Light	119⅜	36⅛	64⅞	11⅝	16⅞	13	14⅞	1
Amer. Radiator & S. S.	39¾	15	21½	5	8½	6	7⅝	.40
Amer. Rolling Mill	100⅞	28	37⅜	7⅜	12¾	7⅝	11½	..
Amer. Smelting & Refining	79½	37½	58½	7⅛	18⅝	12⅜	15⅝	.50
Amer. Steel Foundries	52¼	23½	31¼	5	8⅜	5⅜	†6¾	..
American Stores	55½	36½	48¼	33	36½	33¼	35½	*2½
Amer. Sugar Refining	69⅞	39¼	60	34⅛	39¼	21½	26½	4
Amer. Tel. & Tel.	274¼	170⅜	201¾	112⅛	137⅜	107⅜	127⅛	9
Amer. Tobacco Com.	127	98⅛	128¾	60½	77⅜	65	†76⅛	*6
Amer. Water Works & Elec.	124⅞	47⅝	80¾	23⅛	32½	24⅝	29	3
Anaconda Copper Mining	81⅛	25	43¼	9¼	12⅜	8¾	10	..
Assoc. Dry Goods	50⅛	19	29⅝	6⅝	8⅛	5½	†6¼	..

Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS *(Continued)*

	1930 High	1930 Low	1931 High	1931 Low	1932 High	1932 Low	Last Sale 2/24/32	Div'd $ Per Share
A								
Atlantic Refining	51⅝	16⅝	23⅝	8⅝	10⅞	8⅝	10⅛	1
Auburn Auto	263¾	60⅝	295½	84½	151⅜	91½	98½	4
B								
Baldwin Loco. Works	38	19⅝	27⅞	4⅝	8¼	4⅞	6⅛	..
Barnsdall Corp. Cl. A	34	8⅝	14⅛	4	5⅞	4	4⅝	..
Beech-Nut Packing	70⅛	46¾	62	37½	43	40	†40	3
Bendix Aviation	57⅜	14¼	25⅛	12⅝	18¾	15	16	1
Best & Co.	56¼	30⅜	46¼	19¾	24⅞	19½	23	2
Bethlehem Steel Corp.	110¼	47⅞	70⅜	17¼	24⅜	15⅛	21⅝	..
Bohn Aluminum	69	15¾	43	15½	22¼	17⅛	18¾	1⅛
Borden Company	90⅜	60⅛	76½	35⅛	41	34¾	39⅞	3
Borg Warner	50⅛	15	30¾	9	12¼	9	10¼	1
Briggs Mfg.	25⅜	12⅛	22⅜	7½	10¼	7⅞	9⅝	1
Burroughs Adding Mach.	51⅞	18⅜	32¼	10	12¾	9⅞	10¾	.80
Byers & Co. (A. M.)	112⅜	33⅛	69¾	10⅞	19	10½	17⅜	..
C								
California Packing	77⅛	41¼	53	8	11⅞	8⅛	†10	..
Calumet & Hecla	33⅜	7¾	11⅜	3	4	3	3	..
Canada Dry Ginger Ale	75⅜	30½	45	10⅜	13½	10	11¼	1.20
Case, J. I.	362¾	83½	131½	33¼	43⅜	26⅛	36¾	..
Caterpillar Tractor	79¾	22	52½	10¼	15	10⅞	11½	1
Cerro de Pasco Copper	65⅜	21	30⅛	9⅞	15	9¾	12⅛	1
Chesapeake Corp.	82½	32¼	54⅛	13⅞	20⅝	13	17½	3
Childs Co.	67⅝	22⅞	33¾	5⅛	7½	5	†5¼	..
Chrysler Corp.	43	14⅛	25¾	11¾	15¾	10½	12½	1
Coca-Cola Co.	191⅜	133¼	170	97½	118	97½	114¾	*8
Colgate-Palmolive-Peet	64⅞	44	50½	25	30¼	26⅛	†29	2½
Columbian Carbon	199	65⅛	111⅝	32	38½	28	35	3
Colum. Gas & Elec.	87	30⅝	45⅝	11⅝	15¼	11⅞	14	1½
Commercial Credit	40¾	15⅛	23¼	8	10⅝	8⅛	†9½	.60
Commercial Solvents	38	14	21½	6⅝	9⅝	7¼	8½	.60
Commonwealth & Southern	20⅛	7½	12	3	4⅞	3½	4⅛	.30
Consolidated Gas of N. Y.	136⅞	78¼	109⅝	57¼	65¾	54⅛	62¼	4
Continental Baking Cl. A	52½	16¾	30	4½	7	4⅞	†5¾	..
Continental Can, Inc.	71⅝	43½	62¾	30¼	39⅝	31¾	38¼	2½
Continental Oil	30½	7¾	12	5	6⅞	5⅝	6	..
Corn Products Refining	111⅜	65	86⅝	36¼	46	37	43¾	3
Crucible Steel of Amer.	93⅝	50⅛	63	20	23¼	15	17	..
Cudahy Packing	48	38⅛	48⅞	29	34½	30	†33	4
Curtis Publishing	126⅛	85	100	20	31	22	†23¼	2
Curtiss Wright, Common	14⅞	1¾	5⅞	1	2¾	1¼	1¾	..
D								
Davison Chemical	43⅝	10	23	3½	5¼	3½	4⅛	..
Diamond Match	24⅞	10	23	10⅜	15¼	12½	14½	1
Dominion Stores	30⅝	12	24	11	15¾	13	†15	*1½
Drug, Inc.	87⅜	57⅝	78¾	42¾	57	47⅝	53¼	4
Du Pont de Nemours	145¼	80½	107	50¾	59¾	46⅛	55⅞	4
E								
Eastman Kodak Co.	255¼	142⅛	185¾	77	87⅞	68½	79	5
Eaton Axle & Spring	37¼	11⅝	21⅞	5⅜	8	4¾	†6½	.50
Electric Auto Lite	114⅞	33	74⅜	20	31½	23¾	29¾	4
Elec. Power & Light	108½	34⅜	60⅜	9	14	10⅛	12⅝	1
Elec. Storage Battery	79¼	47½	66	23	33	25½	31	3
Endicott-Johnson Corp.	59⅝	36⅞	45¾	23⅛	36⅛	25½	33	3
F								
Firestone Tire & Rubber	33⅛	15⅛	21½	12⅞	15	12	13	1
First National Stores	61⅜	33⅝	63	41	52¼	41½	50½	2½
Foster Wheeler	104½	37½	64⅛	8	11½	8	10	..
Fox Film Cl. A	57⅜	16⅛	38⅝	2½	5⅜	2¾	3¾	..
Freeport Texas Co.	55½	24½	43¼	13¼	19½	15¼	18¾	2
G								
General Amer. Tank Car	111⅞	53⅛	73⅛	28	34¾	28	32⅛	4
General Asphalt	71⅛	22⅜	47	9⅝	15½	11	12⅝	1
General Electric	95⅜	41½	54¾	22⅞	26⅛	17¾	21⅛	1.60
General Foods	61¼	44⅜	56	28¼	36¾	31⅝	35	3
General Mills	59⅛	40⅛	50	29⅛	37	31⅞	36½	3
General Motors Corp.	54¼	31½	48	21⅜	24⅝	19½	21½	2
General Railway Signal	106⅞	56	84⅛	21	28⅜	19¾	†23⅝	5
Gillette Safety Razor	106⅛	18	38¾	9¼	19⅞	10⅜	19¼	1
Gold Dust Corp.	47⅞	29	42⅛	14½	19⅜	16	17⅛	2½
Goodrich Co. (B. F.)	58½	15¼	20⅞	3⅜	5⅝	3⅞	4¼	..
Goodyear Tire & Rubber	96⅞	35⅛	52¾	13¾	17⅞	12⅞	16	1
Grand Union	20⅝	10	18⅞	7	9	6⅝	8¼	..
Great Western Sugar	34⅛	7	11⅞	5¾	6½	5	5	..
Gulf States Steel	80	15	37½	4	8	5⅛	6¼	..
H								
Hershey Chocolate	109	70	103¾	68	82	73½	80	6
Houston Oil of Texas (New)	116⅞‡	29¼‡	14	3	4⅞	3⅛	3¾	..
Hudson Motor Car	62⅞	18	26	7¾	11¾	7	8	..
Hupp Motor Car	26⅝	7½	13⅛	3¾	5⅜	3¾	4	..
I								
Inter. Business Machines	197¼	131	179¾	92	110¾	90⅜	105¾	6
Inter. Cement	75¾	49½	62½	16	18¾	14¾	17⅜	2
Inter. Harvester	115¾	45¼	60½	22⅜	29¾	21⅜	23⅞	1.80
Int. Match Pfd.	92	52¼	73¼	11	24½	15¾	19	4
Inter. Nickel	44⅜	12¾	20⅛	7	9⅛	7⅛	7⅞	..
Inter. Tel. & Tel.	77⅝	17½	38¾	7⅛	12¼	7½	11	.60
J								
Jewel Tea	66½	37	57⅛	24	35	30	33	4
Johns-Manville	148⅜	48¾	80¾	15⅝	25½	15⅞	22¼	1
K								
Kelvinator	26⅝	7⅜	15⅛	6	10⅜	7	9⅝	..
Kennecott Copper	62¾	20½	31⅛	9⅝	13	8⅞	9⅜	..
Kresge (S. S.)	36¾	26⅛	29⅝	15	19	15⅛	15⅞	1.60
Kreuger & Toll	35⅜	20⅜	27¾	4¼	9⅛	4¾	7⅝	1.61
Kroger Grocery & Baking	48⅛	17⅛	35½	12½	16⅞	12¾	15⅝	1
L								
Lambert Co.	113	70¾	87⅞	40⅛	56¾	44¼	47⅞	8
Lehn & Fink	36	21	34¾	18⅛	23	19⅝	20⅛	3
Liggett & Myers Tob. B	114¾	78¼	91⅝	40	61	45⅜	56½	*5
Liquid Carbonic	81⅞	29	55⅝	13⅛	19⅝	14⅛	†17	2

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS *(Continued)*

	1930		1931		1932		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	2/24/32	Share
L								
Loew's Inc.	95¾	41¾	63⅛	23⅞	32⅞	23¼	31½	*4
Loose-Wiles Biscuit	70¼	40¼	54⅞	29⅞	36⅜	29⅞	†33	*3
Lorillard	28⅛	8¾	21⅞	10	15¼	12	14⅛	1.20
M								
Mack Truck, Inc.	88½	33⅝	43⅞	12	17	12¼	14⅛	1
Macy (R. H.)	159¼	81⅝	106¼	50	60½	47	53⅛	3
Magma Copper	52½	19¼	27⅜	7¼	8¾	6⅞	†7	.50
Marine Midland	32½	17¾	24¼	9¼	12¼	9½	10½	.80
Mathieson Alkali	51⅜	30⅛	31½	12	18¾	13¼	16½	2
May Dept. Stores	61⅜	27¾	39	15⅝	20	16	17¼	1.80
McKeesport Tin Plate	89½	61	103½	38½	62¼	43	59⅜	4
Mont. Ward & Co.	49⅞	15⅛	29¼	6⅝	10⅜	6⅞	9⅜	..
N								
Nash Motor Co.	58⅛	21¼	40⅞	15	19⅛	15	17½	2
National Biscuit	93	68⅝	83¾	36⅝	45⅞	37⅛	43½	2.80
National Cash Register A	83⅛	27⅝	39¾	7⅛	11¼	7¼	9⅝	..
National Dairy Prod.	62	35	50¾	20	28	21	27⅜	2.60
National Power & Light	58¾	30	44¼	10¼	15⅞	12¼	14¼	1
Nevada Consol. Copper	32⅜	9	14¾	4¾	6⅝	4½	4½	..
North Amer. Aviation	15⅝	4¼	11	2⅝	4¼	2¾	3¼	..
North American Co.	132⅞	57⅛	90¼	26	40	29	37¼	§10%
O								
Ohio Oil	34⅛	16	19⅛	5⅛	6½	5	5⅝	..
Otis Elevator	80⅜	48¼	58½	16⅛	22½	16⅞	17	2½
Otis Steel	38⅞	9⅛	16⅜	3½	4⅜	3½	4	..
P								
Pacific Gas & Electric	74⅞	40⅛	54⅞	29⅝	37	32⅛	35⅝	2
Packard Motor Car	23⅜	7⅛	11⅞	3⅞	5¼	3⅛	4	..
Paramount Publix	77¼	34¾	50¼	5½	11½	6½	9½	..
Penney (J. C.)	80	27⅝	44¾	26⅜	31¼	26¼	30¼	2.40
Phelps Dodge Corp.	44⅜	19⅜	25⅝	5⅞	8½	6	6⅜	..
Phillips Petroleum	44⅜	11⅛	16⅝	4	5⅛	4	4⅝	..
Prairie Oil & Gas	54	11¼	20⅜	4⅛	7	4½	3⅞	..
Prairie Pipe Line	60	16⅝	26⅛	6⅞	8⅝	6⅛	7⅜	..
Procter & Gamble	78⅞	52⅝	71¼	36⅜	42¾	37⅞	40¼	2.40
Public Service of N. J	123¾	65	96½	49⅛	58⅞	48¼	56	3.40
Pullman, Inc.	89⅜	47	58½	15¼	25	15⅝	21	3
Pure Oil	27¼	7⅝	11⅞	3¼	8⅛	3⅞	4¼	..
Purity Bakeries	88⅞	36	55¼	10⅜	15¼	10⅝	12⅞	2
R								
Radio Corp. of America	69⅜	11⅝	27½	5⅛	10⅝	5¼	9½	..
Radio-Keith-Orpheum	50	14⅝	4	2⅝	7	2¾	5⅜	..
Remington-Rand	46⅛	14⅛	19¾	1⅞	3⅝	2	2⅞	..
Republic Steel	79½	10½	25¾	4⅛	6⅛	4¼	5½	..
Reynolds (R. J.) Tob. Cl. B	58⅝	40	54½	32½	40¼	32¾	37⅞	3
Royal Dutch	56½	36⅞	42⅝	13	19⅞	13⅜	19	..
S								
Safeway Stores	122⅜	38¾	69½	38⅝	51½	39	50	5
Sears, Roebuck & Co.	100⅝	43⅛	63¼	30¼	37⅜	27¼	33¾	2½
Servel, Inc.	13⅛	3⅛	11¾	3⅛	5⅜	4	5¼	..
Shell Union Oil	25½	5¼	10¼	2½	4	2⅜	3⅝	..
Simmons Co.	94⅞	11	23¾	6⅞	9⅜	7	8¼	..
Sinclair Consol. Oil Corp.	32	9¾	15⅞	4⅛	7⅛	4⅛	5⅜	..
Skelly Oil Corp.	42	10⅛	12⅞	2	4	2½	3	..
Socony-Vacuum Corp.	..	..	21	8⅜	10⅜	8⅜	10	1
Standard Brands	29¼	14⅛	20⅛	10⅛	13⅜	11⅜	13⅛	1.20
Standard Gas & Elec. Co.	129¼	53⅛	88⅜	25⅛	33	25½	29	3½
Standard Oil of Calif.	75	42¼	51¾	23⅛	27	22½	24½	2
Standard Oil of N. J.	84⅞	43⅛	52½	26	30½	25⅜	28½	*2
Stewart-Warner Speedometer	27	14¾	21⅞	4¾	6⅝	5	†5⅛	..
Stone & Webster	113⅜	37½	54⅛	9⅞	14¾	9¼	12¼	1
Studebaker Corp.	47¼	18⅛	26	9	13¼	10⅜	10⅝	1.20
T								
Texas Corp.	60½	28¼	36¼	9⅞	13⅞	10	11⅞	1
Texas Gulf Sulphur	67¾	40¼	55¾	19½	26⅜	20⅛	23⅝	2
Texas Pac. Land Tr.	32⅜	10	17⅝	4¼	6¼	4½	5½	..
Tide Water Assoc. Oil	17¾	5⅞	9	2⅛	3½	2⅜	2¾	..
Timken Roller Bearing	89¼	40⅛	59	16½	23	16¾	19¾	2
U								
Underwood-Elliott-Fisher	138	49	75¾	13⅜	23	14½	20¼	2
Union Carbide & Carbon	106⅜	52½	72	27⅛	34½	27¼	31⅞	2.60
Union Oil of Cal.	50	20⅛	26⅝	11	13⅞	10⅜	12	1.40
United Aircraft & Trans.	99	18⅜	38⅞	9⅞	16⅞	9¾	15¼	..
United Carbon	84	14⅜	28¾	6⅛	12¼	9⅛	†10⅜	..
United Corp.	52	13⅞	31¼	7½	10⅛	8	9⅛	.40
United Fruit	105	46⅛	67¾	17½	28	20	†25¼	3
United Gas Imp.	49⅜	24¼	37½	15⅜	21	17¼	20	1.20
U. S. Industrial Alcohol	139⅜	50¼	77⅜	20⅜	30¾	21⅝	27	..
U. S. Pipe & Fdy.	38¼	18⅛	37⅛	10	15½	10½	14	2
U. S. Realty	75½	25	36¾	5⅛	8½	5⅛	†8	..
U. S. Rubber	35	11	30⅜	3½	5⅜	3⅛	4⅜	..
U. S. Smelting, Ref. & Mining	36⅛	17⅛	25¾	12⅜	17	14⅜	16¼	1
U. S. Steel Corp.	198¾	134⅜	152⅜	36	52⅝	35½	47½	2
Util. Power & Lt. A	45¾	19¼	31	7⅞	10⅜	8¼	8½	2
V								
Vanadium Corp.	143¼	44⅜	76¾	11	18⅞	11⅛	17	..
W								
Warren Bros.	65⅝	26⅜	46⅜	3¾	7	3⅞	5½	..
Warner Brothers Pictures	80¼	9⅜	20⅜	2⅛	4⅜	2¼	3	..
Western Union Tel.	210¾	122½	150¾	38½	50	33	46¼	6
Westinghouse Air Brake	52	31¼	36⅛	11	17¼	12	15¼	2
Westinghouse Elec. & Mfg.	201½	88⅛	107¾	22¼	35⅞	19⅞	30⅜	2½
White Motor	43	21⅝	26¼	7⅜	10¼	8½	†9¼	..
Woolworth Co. (F. W.)	70⅝	51⅛	72¾	35	44½	36¾	43⅛	2.40
Worthington Pump & Mach.	169	47	106⅞	15¼	23⅝	15⅛	19	..
Wrigley (W. Jr.)	81	65	80⅜	46	57	45¾	49	4

† Bid Price. § Payable in stock. * Including extras. ‡ Old stock.

Securities Analyzed, Rated and Mentioned in This Issue

Industrials

American Can Co. 611
American Tobacco Co. 610
Colgate-Palmolive-Peet Co. 604
Commercial Solvents Corp. 616
Continental Can Co. 611
Drug, Inc. 617
Eastman Kodak Co. 608
Endicott-Johnson Corp. 617
First National Stores, Inc. 606
General Railway Signal Co. 622
Kresge Co., S. S. 610
Loew's, Inc. 617
Lorillard Co., P. 602
Macy & Co., R. H. 611
National Cash Register Co. 624
Pathe Exchange, Inc. 622
Radio Corp. of America 622
Reynolds Tobacco Co., R. J. 607
Standard Brands, Inc. 603
Stewart-Warner Corp. 617
Tobacco Products Corp. 610
United States Tobacco Co. 606
Woolworth Co., F. W. 611

Railroads

Chicago, Milwaukee, St. Paul & Pacific 616
Union Pacific 598

Public Utilities

American Gas & Electric Co. 600
Brooklyn Union Gas Co. 607
Pacific Lighting Corp. 605

Dividends and Interest

The Bell Telephone Company of Canada

NOTICE OF DIVIDEND

A dividend of two per cent (2%) has been declared payable on the 15th day of April, 1932, to shareholders of record at the close of business on the 23rd March, 1932.

W. H. BLACK,
Secretary-Treasurer.

Montreal, 25th February, 1932.

THE ELECTRIC STORAGE BATTERY COMPANY
Allegheny Ave. and 19th St.

Philadelphia, February 19, 1932.

The Directors have declared from the Accumulated Surplus of the Company a quarterly dividend of Seventy-five cents per share on the Common Stock and Preferred Stock, payable April 1, 1932, to stockholders of record of both of these classes of stock at the close of business on March 9, 1932. Checks will be mailed.

WALTER G. HENDERSON, Treasurer.

Answers to Inquiries

(Continued from page 617)

and 1931, the regular rate, at least, may be considered reasonably safe. Loew's chief producing subsidiary, Metro-Goldwyn Pictures Corp., has had a record of successful pictures, and has contributed importantly to the earnings of the parent company. While the outlook for the amusement industry is not entirely satisfactory, we feel that Loew's organization will prove capable of holding its position and for that reason we counsel retention on the part of those who purchased the stock at higher levels.

PATHÉ EXCHANGE, INC.

At one time I had a substantial block of Pathe common, but liquidated my holdings some two years ago. I notice that the shares are being quoted at a fraction of a point, and am wondering whether the stock is a good speculation at the present time. What are the prospects for this company? —A. F. E., Fall River, Mass.

Pathe Exchange, Inc., as formerly constituted, was one of the oldest enterprises engaged in the motion picture industry, and in more recent years, was actively engaged in every branch of this industry. However, operations during the past seven years have met with more or less indifferent success, with the result that the management deemed it advisable to liquidate its production and distribution business. Thus, in January, 1931, arrangements were made to sell the major part of its physical assets, to Radio-Keith-Orpheum Corp. The sale involved the control of Pathe's studio in California, a film printing laboratory in New Jersey, "Pathe News" and all Pathe distributing facilities and exchanges in the United States and Great Britain, as well as contracts with feature players, directors, etc. In consideration of the above assets, Pathe received $4,630,789, of which approximately $500,000 was cash, the remainder in 6% notes maturing in five equal installments beginning January 1, last. At the present time, Pathe functions more or less as a holding company, its principle assets being the foregoing notes, and a 49% stock interest in duPont-Pathe Film Mfg. Co. (now duPont Film Mfg. Corp.) Under the classification of "left-overs" the company maintains a developing plant at Bound Brook, N. J., exchanges for distributing unsold pictures in foreign countries other than Great Britain, a theater in Denver, Col., and through a subsidiary, handles amateur cameras, projectors and films The latest statement of earnings available is that covering the 35⅓ weeks ended October 3, last, during which period a net loss of $198,442 before preferred dividends was incurred. Prospects for Pathe are not clearly defined, and we regard the common stock as a relatively unattractive speculation. Although the company may receive increasing benefits from its interest in duPont Film Mfg. Corp., accumulations on the preferred stock preclude anticipation of profits for the common stockholders, for an indefinite period.

RADIO CORP. OF AMERICA

What do you think of buying Radio common as a long term speculation? I have some cash funds available and would appreciate a report from you regarding the outlook for the company.—A. J. M., Brooklyn, N. Y.

Radio Corp. of America ranks as the leading enterprise in the radio industry, and either directly or through subsidiaries, is engaged in every branch of the industry. Sales of receiving sets as well as accessories have been particularly hard hit by the curtailed buying power of the public, while its broadcasting subsidiary no doubt has suffered from restricted advertising appropriations of industry generally. Furthermore, in the communication field universal business recession has no doubt had a retarding influence on profits. Moreover, present indications are that little in the way of recovery can be reasonably anticipated in any of these divisions during the early future, at least. The annual report of Radio Corp. of America has not as yet been published, but the statement for the first nine months of the year revealed net income of $3,957,489 equal to 4/10 a share on the common stock, after preferred dividends, in comparison with a deficit of $3,029,647 in the corresponding 1930 period. The improvement in the first nine months is largely in reflection of operating economies effected during the period. Earnings during the final quarter of the year apparently were rather disappointing, since directors of the company deemed it advisable to omit dividend payments on the class B preferred shares which fell due January 1, last. A disconcerting element in the outlook for the company is the pending litigation, involving the Government anti-trust action and the suit instigated against the company by Grigsby Grunow Co. It now appears unlikely that either of these law suits will be settled at an early date. In view of this factor, as well as the rather unfavorable outlook for earnings improvement during the immediate future, the shares are likely to remain retarded, marketwise, during the early future, at least. Although prevailing quotations more or less reflect the uncertainties confronting the company, we are of the opinion that purchases should be deferred for the time being.

GENERAL RAILWAY SIGNAL CO.

Please tell me something about General Railway Signal. Is this company likely to be able to continue its dividends? I can afford to assume a reasonable business risk, but would like your opinion about keeping the 125 shares I now own.—A. J. G., Hartford, Conn.

General Railway Signal Co. reported net income for the calendar year of 1931, of $1,210,253, equal, after preferred dividend requirements, to $3.33 a share on 320,700 no par shares of common stock outstanding. This compares with profits of $2,432,350 or $7.07 a share on a greater number of shares outstanding for the preceding year. Despite the fact that new orders received in the second half of the year were more than double those received in the first half, profits in the final six months of the year amounted to only $1.23 a share on the common stock. This apparent paradox may be attributed to the peculiarity of the company's business. Payments for orders received by the company are not made until installation of its equipment has been completed, a process often consuming as long as one year. Moreover, after the contract work has been completed, payments may be deferred, thus making an accurate forecast of the company's earnings well nigh impossible. However, present indications are that results for the initial half of the current year will exceed those registered in the final six months of 1931. Continuance of the improved trend during the balance of the year, however, is a matter of conjecture at this writing, and we would not care to go on record as anticipating full 1932 returns at this early date. The company's accounting policies are conservative, and financial condition at the close of last year was satisfactory. Current assets, including cash and marketable securities of $2,050,496 amounted to $6,996,216 as of December 31, 1931, against current liabilities of $1,596,785 on the same date. However, rather than to weaken the strong cash position, directors of the company at their last meeting deemed it advisable to reduce dividends on the common stock to an annual rate more commensurate with current earnings. However, with the Reconstruction Finance Corporation and the Railroad Credit Corporation coming to the assistance of the railroads, as well as the disposition on the part of labor unions to accept voluntarily a 10% wage reduction, there should be a moderate recovery in equip-

ment buying of an essential nature. Consequently, we are inclined to counsel maintenance of your present position in the shares.

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NATIONAL CASH REGISTER CO.

What light can you throw on the present status of National Cash Register? I am trying to decide whether I ought to keep 220 shares of the "A" stock or sell it at a sacrifice.—R. A. D., Youngstown, Ohio.

The National Cash Register Co., the largest manufacturer of cash registers in the world, also manufactures accounting machines, credit files and a number of specialty machines, while its wholly owned subsidiary, the Ellis Adding-Typewriter Co., produces a combination typewriter and adding machine. The company distributes its products throughout the world, with agencies in the United States and subsidiaries and branches in foreign countries and the drastic contraction which has taken place in business activity both in this country and abroad in the past two years has curtailed sales and earnings. In the nine months ended September 30, last, net earnings were equal to 67 cents a share compared with $1.84 a share in the corresponding period of 1930. It is doubtful whether fourth quarter operations added materially to this showing for 1931. Dividend payments on the class A stock at the rate of 37½ cents quarterly, which had been resumed on October 15, 1931, after omission of the March distribution, were discontinued again in December, in response to the abrupt decline in foreign business, resulting from unsettled European conditions. However, the company has made a thorough survey of the foreign field, and plans aggressive action in an effort to improve that division. In the meantime, the company has been placed in a very strong position with current assets as of September 30, last, equal to $27,197,143 compared with current liabilities of $2,778,765. Cash on September 30, was equal to $3,970,577 on September 30, compared with $1,783,771 at the beginning of the year. The company has been granted permission to purchase the assets of the Remington Cash Register Co. for $2,500,000, and this may have reduced its cash position, but strengthened its trade prospects. With National Cash Register prepared to take advantage of any recovery in general trade activity which may develop, we feel that current quotations for the shares amply discount the adverse aspects of the situation so far as we are able to see them, and we look upon the sale of its stock now in the nature of a sacrifice and advise against such action.

What Corporate Statements Show

(*Continued from page 589*)

abandoned at a saving in overhead estimated at $600,000 annually. The sum of $10,041,769 was written off in downward adjustment of book values of operating properties. The company ended the year with cash and Government securities totalling $14,824,354.

Montgomery Ward likewise subjected itself to a fiscal house-cleaning with exceptionally heavy write-offs. These do no more than recognize existing values but leave the company with net working capital more than twice the market appraisal of the stock and in a position to convert future business gains into rapid profit expansion.

In summary, the 1931 reports are reassuring. They show in general that, off-setting temporary shrinkage in profits, financial strength has been widely conserved and bolstered. They imply that American business, far from being ruined, is better organized than ever before to enter its revival period.

Colgate-Palmolive-Peet Co. Preferred

(*Continued from page 604*)

currently quoted around $87 a share at which price a yield of very nearly 7% is afforded. It is non-voting and is redeemable only at $102.50, so that it would seem that a holder enjoyed prospects of material price appreciation. An interesting provision in regard to the preferred stock is that the company cannot create any obligation maturing later than one year without the consent of two-thirds of the holders of the issue. This would seem to make it difficult, without the consent of the majority of holders, for the preferred to lose its seniority by reason of an issue of bonds or debentures.

While this is a safeguard which might possibly be of practical value in the future, there seems to exist no reason why the Colgate company should want to issue bonds at the present time, for its cash position is excellent. Net current assets as of Dec. 31, last, were reported to equal about $143 a share on the preferred. Of this nearly $60 was in cash or marketable securities.

Colgate preferred has shown itself to be a strong issue even under particularly adverse circumstances. Last year

Les GRANDS HÔTELS EUROPÉENS

In the gayest capitals of Europe . . in fabled cities of romance and art . . the discriminating traveler will enjoy pleasurable living as the guest of "Les Grands Hôtels Européens". Rates have been adjusted in accordance with the times.

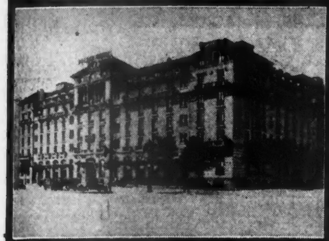
For full information write to IBORAT, Publicity Representatives, 565 Fifth Ave., N. Y. Reservations through recognized travel agencies.

CLARIDGE'S, PARIS

A Parisian institution, the Claridge anticipates every need of its refined guests—faultless attendance . . phone in each room . . Turkish baths . . swimming pool . . renowned restaurant and grill room. Every suite is differently furnished.

Single Rooms from $5.00
Double Rooms from $7.00

PALACE, LYONS



A stately hall, spacious reception rooms, famous restaurant, garage for 100 cars . . comfortable living for guests of the modern Palace Hotel at Lyons, center of the silk trade. 400 pleasant rooms provided with bath or complete dressing room, and city phone.

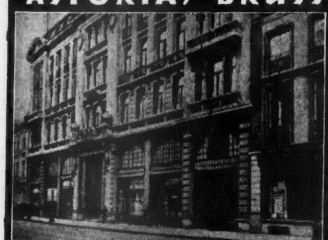
Single Rooms from $2.00
Double Rooms from $3.00

RITZ, MADRID

The aristocratic hotel par excellence. Its prominent site on the *Prado*, Madrid, is perennially the scene of brilliant fetes, fashionable "teas" in its splendid Winter Garden. A magnificent restaurant and famous grill complete its accessories to comfortable living.

Single Rooms from $3.50
Double Rooms from $5.50

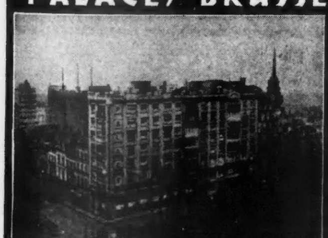
ASTORIA, BRUSSELS



In the most fashionable quarter of Brussels—Rue Royale—the Astoria is patronized by discriminating travelers. Its luxurious suites and Royal Apartment, the great hall and Salle de Fetes denote a uniform elegance. The restaurant is acclaimed for the excellent cuisine and fine wines.

Single Rooms from $2.00
Double Rooms from $2.50

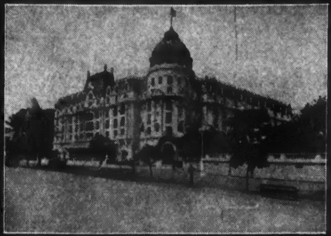
PALACE, BRUSSELS



In the heart of busy Brussels, you will have rest and fresh air, at the Palace, which faces upon the Botannical Garden. Luxury, refined comfort, faultless attendance . . Five hundred rooms, an equal number of baths and phones. A noted restaurant.

Single Rooms from $2.00
Double Rooms from $2.50

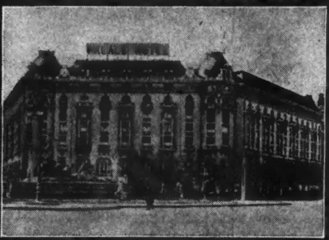
NEGRESCO, NICE



Many rooms of the sumptuous Negresco Hotel at Nice look out upon the blue Mediterranean; others upon the Massena Garden. The great hall, in Louis XVI style, is one of the world's finest. The luxurious restaurant overhangs the water's edge; the grill is noted for specialties.

Single Rooms from $3.50
Double Rooms from $4.00

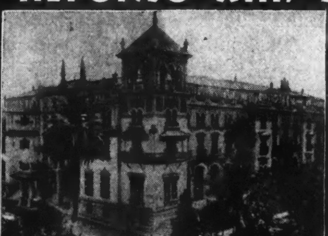
PALACE, MADRID



Largest hotel in Europe, the Palace is splendidly situated between Canovas and Cortes Squares in Madrid. The vast hall is renowned for its admirable proportions and decoration. Rooms of unusual comfort and luxury; each is provided with bath and city phone. Restaurant and grill are famous.

Single Rooms from $3.00
Double Rooms from $4.00

ALFONSO XIII, SEVILLE



Seville, Jewel of the Andalusia of sun and flowers, romance and art, has irresistible attraction. The Alfonso XIII Hotel seems more like an Andalusian palace than the comfortable hotel it is. A magnificent hall and patio; splendid restaurant; garage and all modern features.

Single Rooms from $2.50
Double Rooms from $3.50

CONTINENTAL, S. SEBASTIAN

In the Pyrenees, at the edge of the Atlantic, San Sebastian is the summer residence of royalty. Here the Continental Palace Hotel offers visitors perfect living. On the famous "La Concha" beach, the hotel looks out upon a gorgeous panorama of sea and mountains. Open the year 'round.

Single Rooms from $2.50
Double Rooms from $3.50

CHATEAU D'ARDENNE

In the Ardenne Hills of Belgium, the Chateau was formerly Manor of the Count of Rochefort and later property of the King of the Belgians. It has now been transformed into a luxurious hostelry. Surrounded by a park of 1,500 acres; golf, tennis, fishing, riding are available.

Single Rooms from $2.00
Double Rooms from $2.50

LES GRANDS HÔTELS EUROPÉENS

L'ERMITAGE DIGNE, FRANCE

A delightful stopping-place on the winter *Route des Alpes*, when motoring to or from the Riviera. Here you will enjoy real countryside amid unforgettable scenery. L'Ermitage will look after your every comfort while you are at home in Digne.

the company's business both domestic and foreign must have been hit at least to some extent by the drastic curtailment in general purchasing power. Furthermore, its business abroad was complicated by reason of so many countries going off the gold standard. Profits in depreciated currencies make a poor showing when transferred to gold dollars, even should the transaction be possible. Germany for example placed an embargo on the exportation of money.

In order to offset this series of adverse developments the company increased its advertising expenditure to nearly $15,000,000 and undoubtedly succeeded to some extent. The full benefit of this expense, however, will not be felt until business again attains a degree of normalcy. While this may be somewhat long delayed, trade can hardly become much worse than it is at the moment. Neither is it reasonable to expect that foreign currencies will remain permanently fluctuating and depreciated. In the meantime, Colgate's business coupled with a formidably strong financial position is assured of survival and more particularly that any threat to the preferred stock is exceedingly unlikely.

Value Versus Price

(*Continued from page* 613)

price made by distressed selling does not establish the true value of a bond or stock.

Assume that in the example given above there was included a public utility issue which under normal conditions usually sells just under par, and that it was dumped out at 60. Does the sale cut down the earnings of the company? Does it cause a score or two of customers to quit using gas and electricity? Does the distressed price destroy any transformers or a generator? Have there been any transmission lines torn down because of it? Are there any less bricks in the walls of the plants? The answers to all of these questions are so obviously in the negative that comment is needless.

The national and state banking authorities, and also the insurance commissions have established some very praiseworthy rules governing the writing down of securities carried in portfolios of banks and insurance institutions. Because the investment portfolio of a failed bank is liquidated at any price the securities will bring on the day such action is taken, banks all over the country holding the same bonds, should not be compelled immediately to write them down to forced or distressed sale figures. Again, because some Stock Exchange house forces the liquidation of a thinly margined speculative account, in which is included bonds, banks and insurance companies should not have to write their portfolios down to the same figures. Prices set up by such selling have nothing whatever to do with the actual value of securities.

Investors and portfolio managers must come fully to an appreciation of the fact the earnings and assets, not price, establish the real value of any security.

The down-swing of the pendulum in stock and bond prices over the past two years has been painful in the extreme. It will be worth the price, however, if the headaches, backaches and heartaches caused by the deflation in security prices, have served to teach buyers that real value is set up by earning power and assets, and to fix these factors so firmly in mind that a repetition of the wild bull market of 1929 and the panic market of 1931 can never again occur.

American Gas & Electric Co.

(*Continued from page* 601)

this territory. While it serves some large cities, the average population of each of its 1,300 communities is only some 2,000 and its average customers in each only 500. Nearly half of these communities were without any electric service before American Gas & Electric entered the field.

The company has not hesitated to pass along to its customers the benefits of ever-increasing efficiency and lower operating costs, establishing lower rates whenever possible to encourage volume consumption. Its rates now are estimated to be approximately 20% less than the average for the entire country. This means that in the past eight years its customers paid fully $75,000,000 less for current than would have been paid on the 1924 unit cost. Hence, it would appear that American Gas could make out a very good case in any rate proceeding.

While unable to avoid the decline in industrial consumption of electricity, the company has increased the actual number of its industrial customers, due to the fact that depression has brought many former users of other kinds of power to this more economical kind. The management likewise has been unceasing in its effort to broaden the commercial and domestic market and has met with considerable success in using special sales promotion divisions for this purpose.

In summary, American Gas & Electric can be regarded as being in a decidedly advantageous position to benefit quickly and substantially from any improvement in general industrial conditions. The company's thoroughly secure cash dividend yields only 2.8% return on the current market quotation of 35 but the stock dividend of 4% increases this to a satisfactory total. The issue accordingly appears a sound and attractive investment, although accumulation should be on a scale-down basis in periods of market weakness.

Eastman Kodak Co.

(*Continued from page* 609)

applied to the development and expansion of Kodak Park, Rochester, N. Y., where the company's main plants are situated. Additional capital expenditures have been made, and will be further extended, on Eastman's cellulose acetate plant at Kingsport, Tenn.

Some idea of the size of the enterprise can be had from the fact that it normally employs about 25,000 workers, has approximately 20,000 dealers in the United States and operates, with subsidiaries and affiliates, more than 220 establishments in 162 cities scattered through 50 countries.

The company has long been noted for its progressive labor policies. About 15,000 of its 25,000 employees are stockholders. In addition to the regular compensation its policy is to pay "wage dividends" as justified by earnings; and a retirement annuity, life insurance and disability benefit plan, as well as assistance in building and financing employees' homes, are measures adopted to encourage good will.

The Eastman income reports do not permit a detailed analysis of its earnings by divisions, but it is understood that motion picture film, in which it has maintained its dominant position despite the competition of one of the largest chemical companies, is its most profitable line. This demand, despite depression in the motion picture industry, is believed to have been reasonably well sustained.

Cameras and photographic supplies and accessories, particularly in the amateur field, are, of course, luxury products and this branch of the business must have suffered substantial recession. The loss, however, should prove temporary. Moreover, decline in sales has been offset in several directions. Eastman's business is essentially the manufacture of low-cost materials into relatively high-cost finished products, the price of which can be maintained in the absence of effective com-

IN COUNTLESS WAYS SHE CREATES YOUR COMFORT

We wonder, reader, if in your traveling about, you have ever been aware of how much the lesser employees of a hotel contribute to the total of your comfort?

You have undoubtedly seen a Statler maid* moving down the hall with her supply cart, tapping gently on some doors, moving softly away from those behind which guests still sleep. Perhaps you have actually watched one at her work. If you have, you have surely thought, "I should like to have as deft a servant in my house."

For these Statler maids *are* deft . . . and for a reason. *They're taught!* They have a routine to follow that eliminates all waste motion and insures every job being done. It puts order in their work of picking up papers, making beds, running the vacuum cleaner, dusting, and replacing soiled towels and used soap.

Let's look in a room. Here is one where the maid is about to make the bed. See, she turns the inner-spring hair mattress, adjusts it on the deep box springs, smooths out the mattress protector, spreads the quilted pad. Then she puts on the sheets — snowy white sheets that smell so clean and fresh. Then the soft blankets. She fluffs the down pillows and covers the immaculate inner slips with outer cases and lays them in their place. Now she takes the spread and covers all, tucks all in, gives the bed a final pat or two, and steps back to survey her work.

She's proud of that bed. She knows how good a bed it is and how pleasant it's going to feel because she's made it well. She takes *such* prideful interest in all her humble tasks. Her bathrooms must sparkle, her mirrors shine. For she's an inborn housekeeper and realizes that it's her job to make you enthusiastic over the cleanliness and comfort of your Statler room.

**73% of Statler stockholders are employees.*

HOTELS STATLER

where "The guest is always right"

BOSTON BUFFALO

CLEVELAND DETROIT ST. LOUIS

in NEW YORK, *Hotel Pennsylvania*

petition. Declining commodity prices have lowered producing costs, particularly the extreme declines in silver, of which Eastman is one of the world's largest buyers, and in cotton.

Earnings also have been supported, and probably will be bolstered further in the future, although to an extent at present unknown, by the company's expansion in a variety of by-product lines. Besides a variety of synthetic chemicals, it makes acetate yarn for the rayon industry; and its Tennessee acetate plant is capable of commercial production of lacquers, wood alcohol, artificial leather and other organic chemical products derived from wood.

These aggressive endeavors along new lines appear to add an element of attraction to the stock, offsetting to some extent the significance of the company's slackened rate of profit growth in recent years. Even without rapid future growth, indicated stability of earning power in normal times suggests that Eastman should prove an unusual opportunity for purchase in depression, if not for permanent holding when higher prices are reached.

Whether the stock has made its bear market low is purely conjectural. In any event it has unquestionably gone through the major part of any justified deflation and hence may be recommended as desirable for accumulation on a scale-down in periods of general market weakness.

Union Pacific

(Continued from page 599)

spect throughout the intervening years, and has continued to occupy a unique position with regard to the former.

From the passing of Harriman to the present time, no effort has been made to expand Union Pacific beyond what he made it, one of the outstanding railroad systems of the United States. It has been regarded as largely a finished product, needing only conservation. While changes have been made from time to time in its investments in other railroads, the general policy of having such holdings has been continued.

Now we are down to the present moment and ready to consider, somewhat in detail, the wisdom of this policy, how it has affected Union Pacific's income in the past and what bearing it will have upon it in the immediate future, with railroad earnings so severely reduced, compared with 1929, and even 1930, and with so many dividends cut and omitted.

At the end of 1930, stocks of other railroads in Union Pacific's treasury had a par value of $72,778,829. These figures did not include $10,120,000 Illinois Central common and $2,852,000 of the preferred stock of that company, which were held by The Railroad Securities Co., all of whose shares, in turn, are owned by Union Pacific.

The stock holdings of Union Pacific proper included 247,500 shares of Illinois Central common, 69,750 shares preferred; 267,152 shares New York Central; 62,670 Baltimore & Ohio common, 18,059 preferred; 44,206 Chicago & North Western common and 18,450 shares of Chicago Milwaukee & St. Paul preferred.

Union Pacific, on December 31, 1930, also owned bonds, notes and equipment trust certificates of other railroads having a par value of $74,193,003. In addition, there were in its treasury $34,347,500 United States Government bonds. This made a grand total of $181,319,330 of securities of other railroads owned.

Revenue from Holdings

On the stocks of other railroads in its treasury, Union Pacific received dividends for 1930 amounting to $12,579,401 against $11,597,524 in 1929. Interest on other securities owned amounted to $6,042,382 in 1930 against $6,496,947 the year before—a total of $18,622,123 for the former year and $18,094,471 for the latter.

Total income from sources other than transportation operation in 1930 was $19,837,753 and in 1929 $21,598,472.

The statement often has been made that Union Pacific derived the greater part of its net income, applicable to fixed charges and dividends, from its investments. This is not so, as the foregoing figures make clear. For 1930 net income from transportation operation was $35,297,722 and from sources other than operation $19,837,753. For 1929, the figures were respectively $45,325,568 and $21,598,472. Thus it is found that for 1930 "other income" was only a little more than half the net income from railway transportation, while for 1929 it was considerably less than half.

Union Pacific has not made public a preliminary report for 1931, showing net income. It is known, however, that net railway operating income was $24,702,431 compared with $35,297,722 for 1930 and $45,325,568 for 1929. This was a decrease of $10,595,291 from the previous year and of $20,623,137 from two years back.

Total income from investments did not suffer greatly in 1930 compared with 1929, chiefly because of the policy generally in effect with railroad directors to maintain regular dividend rates as far as possible. In fact, dividends on stocks owned by Union Pacific were $982,217 larger. Total "other income" was $1,760,720 less. This was due almost wholly to a falling off in interest on loans of $1,175,149.

In 1931, however, Union Pacific experienced a loss of about $1,500,000 in dividends received from the four large railroads in which it owns the biggest blocks of stock. In 1930 the total from these sources was $4,937,813 and in 1931 it was $3,439,206, a decrease of $1,498,607, to be exact. Investment income was further cut in 1931 by failure of Wabash Railway, now in receivership, to pay on time, some bond and equipment interest and serial principal of the latter. The amount involved was not large as, altogether, at the end of 1930, Union Pacific owned only $2,505,000 of Wabash bonds and equipment trusts. As the interest will be paid in due time Union Pacific will not experience an ultimate loss from this source.

It is now estimated roughly that the company earned at least $9 a share on its common last year against $15.63 in 1930 and compared with $6.56 for Atchison common in 1931 and $12.86 the year before.

The more severe test of the wisdom of Union Pacific's investment trust feature will come this year. All dividends except $1 a share quarterly on Baltimore & Ohio preferred have been cut off from the stocks of the four big railroads of which Union Pacific is such a substantial holder. It is expected that the Baltimore & Ohio payment will be omitted the third Wednesday in March. If that is done, Union Pacific's income from the stocks of those railroads is likely to be nil for this year compared with $3,439,206 for 1931 and $4,937,813 for 1930.

It would appear also that there will be the additional loss this year of the $600,000 paid annually in dividends by The Railroad Securities Co., all of whose stock is owned by Union Pacific. As it has never been disclosed that the Securities company owns other than Illinois Central common and preferred shares, on which dividends have been omitted, it is logical to assume that the Securities company has no other source of income.

Losses Partly Made Up

There will be offsetting features to these losses in the gross income of Union Pacific this year. It is officially estimated that the saving in salaries and wages from the reductions already in effect will amount to approximately $6,000,000, or between $2 and $3 a share on the common stock. Larger gross earnings are expected by reason of the increases in freight rates on certain commodities authorized by the Interstate Commerce Commission, but they must be turned over to the Rail-

KEEP POSTED

The pieces of literature listed below have been prepared with the utmost care by business houses advertising in this issue. They will be sent free upon request, direct from the issuing houses. Please ask for them by number. We urge our readers to take full advantage of this service. Address Keep Posted Department, Magazine of Wall Street, 42 Broadway, New York, N. Y.

"ODD LOT TRADING"
John Muir & Co., members New York Stock Exchange, are distributing their booklet to investors. (225).

"THE BACHE REVIEW"
A summary of the general financial and business situation, published every week by J. S. Bache & Co. In writing mention Bache Review. (290).

"ENJOY MONEY"
Investor's Syndicate will gladly furnish this interesting booklet upon request. (731).

WHEN TO BUY AND WHEN TO SELL
The Investment and Business Forecast, a security advisory service, conducted by The Magazine of Wall Street, definitely advises subscribers what securities to buy or sell short and when to close out or cover. (783).

"TRADING METHODS"
This handbook, issued by Chisholm & Chapman, contains much helpful information for traders. A copy together with their Market Letter will be mailed upon request. (785).

PARTIAL PAYMENT PLAN
An old established New York Stock Exchange house invites the purchase of high grade listed securities on monthly time payments. (813).

INVESTMENT PROFIT INSURANCE
The most logical form of investment profit insurance is represented by the personal and continuous counsel rendered by the Investment Management Service. Write for full information. No obligation. (861).

"SOME FINANCIAL FACTS"
An interesting booklet issued upon request by the Bell Telephone Securities Co. (875).

"A CONVERTIBLE BOND YIELDING ABOUT 6.15%"
H. M. Byllesby & Co. will be pleased to furnish upon request details concerning this booklet. (882).

"A CHAIN OF SERVICE"
Describes and illustrates the history and development of the Associated Gas and Electric System. (884).

"ELECTRIC BOND & SHARE COMPANY"
Full information or reports on companies identified with Electric Bond & Share Co. furnished upon request. (898).

"SERVING 9,000 COMMUNITIES"
A 26-page illustrated booklet, issued by Henry L. Doherty & Co., describes the widespread activities of Cities Service Co. and stable character of the business, consistent growth of earnings, etc. (903).

"STOCK EXCHANGE SERVICE FOR THE SMALL INVESTOR"
This booklet, published by M. C. Bouvier & Co., will be sent upon request. (908).

"PIONEER GOLD MINES OF B. C., LTD."
A. D. Watts & Co. are distributing a pamphlet describing this producing gold mining company which is planning to treble output. (910).

"PACIFIC LIGHTING CORPORATION"
This corporation has just completed a booklet describing the history, financial and operating policies of its organization which will be sent upon request. (911).

"HOW CORPORATIONS ARE MEETING NEW CONDITIONS"
An analysis of outstanding companies doing outstanding things is one of the features of Bradstreet's journal, published by the well-known statistical organization, and now available under a special offer. (912).

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 30 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, February 15	65.83	82.18	38.58	78.05	74.91	1,976,184
Tuesday, February 16	66.33	85.75	40.45	79.25	74.33	2,502,290
Wednesday, February 17	66.22	82.24	38.81	79.45	75.30	2,185,818
Thursday, February 18	66.50	85.13	38.83	77.85	74.81	1,681,925
Friday, February 19	66.67	85.98	39.21	80.56	77.55	2,430,952
Saturday, February 20	66.77	83.59	38.16	77.61	74.81	704,660
Monday, February 22	HOLIDAY — EXCHANGE CLOSED					
Tuesday, February 23	66.67	80.26	36.67	76.43	72.88	1,276,911
Wednesday, February 24	66.66	82.73	37.26	75.39	72.79	1,085,590
Thursday, February 25	66.80	82.05	36.71	74.83	73.21	1,034,649
Friday, February 26	66.99	82.09	36.52	74.98	73.75	893,865
Saturday, February 27	67.00	82.02	36.45	74.31	73.61	400,675

New York Curb Exchange

IMPORTANT ISSUES

Quotations as of February 24, 1932

Name and Dividend	1932 Price Range High	1932 Price Range Low	Recent Price
Aluminum Co. of Amer......	61¾	45	49⅞
Aluminum of Amer. Pfd. (6).	67¾	57	57
Amer. Cities P. & L. "B"...	2½	1¾	2⅛
Amer. Cyanamid B	4Z	2⅞	4
Amer. Lt. & Tr. (2½).......	24	17¾	20
Amer. & Foreign Pwr. War..	4¾	3¼	4¼
Amer. Gas Elec. (1).........	39¾	31⅞	35¼
Amer. Superpower	4¾	3¼	3⅞
Assoc. Gas Elec. "A" (Stk. 5%)	4¾	3⅞	4⅜
Brazil T. L. & P. (1)........	12⅜	8⅞	12¼
Central Stat. El.............	2⅜	1⅛	1⅞
Cities Service (.30)	6⅞	5¼	6⅜
Cities Ser. Pfd. (6)	52	44¼	51½
Commonwealth & South War.	¾	½	9/16
Cord Corp.	8⅛	4¾	5⅛
Crown Zeller. A (1½).......	13	12⅞	12⅞
Deere & Co.	14⅞	7½	9
Durant Motors	⅞	⅜	⅜
Elec. Bond Share (6% stk.)..	13⅜	9⅛	10⅛
Ford Mot. of Canada A.......	14⅝	8⅞	14½
Ford Motors, Ltd. (.36⅗)....	6⅛	4½	5
Fox Theatres A	1⅛	½	⅞
Goldman Sachs T	3⅛	2¼	2⅞
Gt. A. & P. Tea N. V. (6¼)..	150	135	148

Name and Dividend	1932 Price Range High	1932 Price Range Low	Recent Price
Gulf Oil	32	25⅝	28
Hecla Mining (.40)..........	5ffi	4	4
Hygrade Food Prod..........	4	3⅛	3¼
Internat. Pet. (1)	10⅛	8¾	9¾
Lone Star Gas (.88).........	9¼	7¾	7⅞
Mid. West Util. (8% stk.)...	7	3⅝	4½
N. Y. Transit	4	3	3½
Newmont Mining	14½	9⅝	11⅛
Niagara Hudson Power (.40).	7¼	6⅛	6⅝
Northern States Pr. A (8)...	83	70	77
North. States Pr. cu. pfd. (6)	88	80⅛	80⅛
Pennroad Corp. (40)..........	3¾	2ffi	3⅛
Public Util. Holding Corp. of Amer. (x war.)	¾	⅝	½
St. Regis Paper	5⅜	3⅛	4½
Singer Mfg. (8)	134	115¼	125
Standard Oil of Ind. (1)......	16⅞	14	15¾
Standard Oil of Ky. (1.60)...	14⅛	12	13⅜
Swift Inter. (4)	24⅞	18	22
Trans Lux	2¼	1½	2¼
United Founders	2½	1½	2
United Lt. & Pow. A (1)....	8¾	6	6⅝
United Gas Corp.............	2Z	1Z	2¼
U. S. Elec. Pwr. (w. w.)....	1⅞	1⅛	1¼
Utility Pwr. & Lt. (10% stk.)	3⅜	2	2¼

road Credit Corporation. No benefit to Union Pacific from this source is in prospect for this year.

It has the same physical facilities for handling traffic as in previous years, and the same management. Its connections with other roads, highly valuable in the past, are still in effect, bus and truck facilities already are quite extensive and are being extended as conditions justify. The financial position of Union Pacific is still strong. Ultimately it will receive dividends again on its large holdings of stock in other railroads.

As its interest on bonds of other railroads owned apparently is well protected for the present year, at least, by the Railroad Credit Corporation and Reconstruction Finance Corporation, with a moderate increase in the volume of traffic later in the year, and with salary and wage reductions, it would seem possible for the net income for 1932 to be nearly as large as for 1931. For this year at least it will be on a more even keel with Atchison with respect to sources of income than it has been at any time since E. H. Harriman invested so many millions in the securities of other railroads.

It will be interesting and significant to see which property—as a great railroad and not as an investment trust—will make the larger return for its stockholders.

Inflation and the Security Markets

(*Continued from page 581*)

cuse for ignoring the evident fact that such gains as have occurred in public sentiment have thus far failed to have any effect whatever upon the immediate trend of the more basic industries.

That trend is undeniably discouraging. The operations of the steel industry after a very modest advance have again slumped and have, in fact, duplicated the previous lowest level of the depression. That would be the normal expectation in December, but whenever the steel industry has experienced a worthwhile spring recovery the trend in late February was not downward.

There is no improvement in railroad car loadings and railroad earnings. They were thought phenomenally low in the forepart of 1931, but are running some 40 per cent lower in the first 1932 reports available. Construction remains at an extremely low ebb, as does automobile production, although in the latter industry some improvement in coming weeks is certain. The index of electric power output has fallen to the lowest point of the depression. Commodity prices, on the average, give no indication of a change for the better.

In short, the current records indicate infallibly that when the bottom of this depression is recorded in financial history, it will be found not in 1931 but in 1932. On the favorable side, however, it is worth pointing out that the rate of decline in business activity from month to month has slackened and that it is quite possible that the two months of 1932 now past have seen the worst.

For the sake of frankness, it must also be pointed out, as a not very encouraging factor of the immediate present, that the banks have not yet ceased the policy of deflation. The weekly reports of Reserve member banks in leading cities up to this writing show a continued substantial contraction of loans and investments and a further shrinkage in deposits.

Unquestionably, however, powerful forces of correction are at work, however slow the results may be. The latest available evidence supports President Hoover's assertion that hoarding has been definitely checked, although the return flow of funds to the banks is yet moderate. Of still greater significance, there has been a notable decline in the number of bank failures in recent weeks and a decline also in the average amount of deposits tied up in new insolvencies. As a long-term factor of hope, improvement in the bond market, in the best preferred stocks and in bank stocks, maintained since last December, may perhaps be regarded as giving the traditional investment signal that the storm is over.

Tinkering With the Banking Machinery

(*Continued from page 584*)

to business depression for it establishes a freer relation between the country's gold reserves and their monetary use. The Reserve can hereafter use its gold to meet a monetary situation to which it does not ordinarily respond. In dull times, when money is withheld from business gold piles up and the available money supply decreases. When times are good member banks are not in dire need of Reserve Bank credit but freely use it when it suits their convenience.

The Secretary of the Treasury has advised Congress that the temporary admission of government securities as collateral for note issues ought to be made permanent—that absence of such a provision was a technical defect in the Reserve Bank Act. His idea is that the Reserve System ought to be perma-

nently enpowered to meet money shortages that arise when a currency system that is based on debt—bank credit—shrinks with business contraction, and then causes further contraction of business activity, which results in still further shrinkage of money, both check and currency money.

We virtually nullify our advantages under the gold standard. Having such an abundance of gold we ought to have an abundance of money. Actually we have an abundance of gold and a serious dearth of effective money.

More Gold and Less Money

Thus, at the beginning of 1928 when the gold stock was relatively low, the volume of money in circulation was large and the total of Reserve Bank credit was the largest it had been in years. On the other hand, in the middle of 1931 reserve bank credit actually dropped below a billion dollars, member bank reserve balances were near their peak, gold stocks were rising rapidly and also money in circulation, but member bank loans to the public were falling fast.

All this time the turnover of bank deposits was slowing up and people were becoming more and more reluctant to spend and more and more inclined to hoard money. The spurt in borrowing from the Federal Reserve Banks after August was merely the borrowing of desperation for lack of cash, to fill the hoarding holes. It was not in any sense deliberate constructive credit action. In July rediscounts by the Reserve Banks were lower than they had been for many years. With their vaults bursting with gold they were not using it to loosen up the rigid monetary situation. While the Reserve Banks operated admirably (by piling up gold reserves) to keep an excess of gold from being harmful in periods of prosperity they could do little of their own initiative to make it useful in times of depression and deflation.

Treatment for Bankers' Panic

It is the confident expectation of the Government that the loosening of the reserve requirements will promptly lead to increased borrowing by the member banks from the reserve banks and an abatement of the panic that possesses bankers. When they begin to put money out the public, it is predicted, will begin to bring money in. The return of hoarded money is counted upon to increase both bank deposits and confidence. After all there may be little use for the new credit margin. The extent to which the credit situation is now one of fear psychology is illustrated by the fact that one bank returned a million dollar loan from the Reconstruction Finance Corporation four days after it got it, and that many granted loans have not been taken up. Banks, like the poor dumb depositors, don't want their money when they know they can get it.

Specter of Printing Press Inflation

But whether this authority to inflate really inflates or only serves as a fuse for an overdue spontaneous expansion there lurks in the background the specter that if the banking system of the country does not provide the easier money that is considered the indispensable prelude to renewed business activity Congress will take a shorter cut. If "due inflation" is not forthcoming from the banks there will be a determined drive to produce it unduly from the Treasury. Former Senator Owen, one of the authors of the Federal Reserve Act, is advocating the issuance of a billion dollars of treasury notes direct to the banks or the public on the security of Government bonds. There are scores of bills to insure bank deposits, to make the banks guarantee their deposits, to enable municipalities to turn their bonds over to the Treasury and take away a ton of handsome paper money, to pay for all public improvements—and a whale of a lot of

them—with treasury notes. Some Congressmen want to see the gold standard abolished. There are even advocates of a scheme for the Treasury to put out enough paper money to buy up the 18 billion dollars of government obligations now outstanding.

The scarcity of money is such that there is a growing demand for any kind of money. Anything to stop the price debacle and turn it into an ascension is becoming the slogan of millions of people. Right or wrong the Glass-Steagall bill puts easier money up to the country's banks. If they do not respond worse may follow bad, if the bill be considered a bad one. If money is not inflated respectably it may be inflated most disrespectably. But discussion of the potential good or evil of inflation is now beside the mark. We have the ingredients to provide both currency and credit inflation, and if they work we will have it—whether "due" or "undue".

New Farm Economy May Lead Business Recovery

(Continued from page 587)

single crop producer. His only protection is to achieve a self-sufficient basis until the incoming dollar and the outgoing dollar move in the same plane. Roughly speaking the farm dollar is today worth about 53 cents. As the price index for farm products has dropped to the lowest recorded level, the price index figure for farm expenditures remains some 23 per cent above the pre-war level. All agriculture is handicapped by this disparity but the diversified farmer at least has a living in the bargain, and the opportunity to sell perhaps one or two products in a favorable market.

From the standpoint of business as a whole the development of the small self-sufficient farm must be regarded as a most happy evolution. If it may come about that we have a multitude of small farmers, who live close to the land, and who may not be induced, in the first, nor the second, nor the third generation to depart from it, the country as a whole need seek no further for a corner stone upon which to build.

The steady weight of such a class of farmers, finding themselves independent and coming to appreciate their own self-reliance would mean more for general business than whole states of huge one-crop farms, with an army of seasonal hired labor, coming and going; momentarily prospering and alternately bankrupt.

The small farm and the small farmer with an aptitude for growing many things, for home building with diligence and patience means one sound way out of the depression—individual stabilization.

Our Stake in China and Japan

(Continued from page 591)

necessity for it being severely curtailed.

With regard to our Chinese trade we are in a somewhat different position. If Japan is permitted to carry through her plans for the partition of China we may lose a growing market. For of all the countries of the world, China alone increased her purchases from us in 1931 over 1930. Her cotton purchases benefit Oklahoma, Texas and Arkansas. She imports Virginia, North Carolina and Georgia tobacco; wheat and timber from the Pacific Coast; kerosene from Pennsylvania, Texas, California; iron and steel from Pennsylvania, Maryland and Alabama; hardware from New England; and machinery from New York and the Middle West. As her awakening progresses and her life takes on more characteristics of the western nations these imports will grow larger in volume and number unless checked by Japanese conquest, in which event our future trade with China may conceivably be forced to pass through Japan in the capacity of middleman.

Small Business Comes Back

(Continued from page 589)

A small New England textile plant reports that business is good because it has no difficulty in employing men who will work for the wages that hard times can pay, because it can handle an order of any smallness and has its own water power electricity. Not far away is a big specialty mill, geared up only for big orders, burdened by costly overhead, heavily capitalized and beset with mass labor problems, which is having a difficult time.

Another similar small textile mill reports that it is operating profitably and almost continuously on the little hand-to-mouth orders that the big mills won't take.

Small manufacturing plants may easily have mass production of simple, cheap articles. In these times 5-and-10 cent stores thrive and thousands of little manufacturers enjoy good business from them.

The wreckage low prices have made among some stores and hotels has opened opportunities for new men. The new man buys the hotel or store at present-day prices, starts without capital handicaps and makes money where his predecessor failed.

Clerks who have lost their jobs are starting little stores and living in rooms in the rear. They keep open from 7 in the morning until midnight, know all their customers personally and often report good business, not being handicapped by the mysteries of complex cost-accounting. One such hustler told the writer that he had the five elephantine chain stores in his district "on the run."

While bankruptcy has overtaken a multitude of small retailers in the last two years it has tempered the metal of thousands of others. Hard times have not only shown these latter their own weaknesses but have also uncovered the weaknesses of their great rivals. The Department of Commerce finds evidence of a remarkable improvement of methods of store management and planning and business direction. Adding adaptability and a favorable personal equation to the excellences they are copying from their rivals the little fellows are coming up in a big crop in the retail field. Some of them may be the nuclei of great organizations in the future but most of them will remain successful but little. The lure of size is not what it once was. One of the lessons learned in adversity is that a man's business is not only such but is also a way of life. If it isn't happy he will be unhappy. Instead of breaking themselves in order to become greater thousands of efficient business men are now set to maintain a happy medium of size and a maximum of self-contentment and social comfort. Even as they tend to moderation, so are customers tending to neighborliness in trade. The small merchant prefers to remain small and his patrons also prefer smallness—like their own, for the most part—provided as now it is united to efficiency, attractiveness and general modernity of method and spirit.

While moving from the city to a farm for the purpose of making a living from the land may not be classified

Film Industry in Process of Adjustment

By C. W. Morgan

Whether you read Mr. Morgan's article last August or not, you will not want to miss the sequel, which will appear under the above title in the March 19th issue. This author is close to the picture industry. He knows its strength and weakness from the inside.

Study the Trends
and then pick New England

FOR THE index of general business activity has run consistently higher in New England than indices for the nation as a whole. For alert advertisers seeking trends, New England holds the answer. A population of over eight millions, diversified industries, and a reserve of savings and wealth defying acute depression. Surely if the turn is around the corner, New England will be the first to share in the rise.

And the Boston Herald-Traveler—for years New England's leading financial medium—stands alone in its complete coverage of the best elements of this unusual territory. You can base your investment campaign on Herald-Traveler advertising, with the knowledge that the Herald-Traveler, *and the Herald-Traveler alone,* will reach your complete potential market.

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STONE & WEBSTER BUILDING
INCORPORATED

Public Service Corporation of New Jersey

Dividend No. 99 on Common Stock
Dividend No. 53 on 8% Cumulative Preferred Stock
Dividend No. 37 on 7% Cumulative Preferred Stock
Dividend No. 15 on $5.00 Cumulative Preferred Stock

The Board of Directors of Public Service Corporation of New Jersey has declared dividends at the rate of 8% per annum on the 8% Cumulative Preferred Stock being $2.00 per share; at the rate of 7% per annum on the 7% Cumulative Preferred Stock, being $1.75 per share; at the rate of $5.00 per annum on the non par value Cumulative Preferred Stock, being $1.25 per share, and 85 cents per share on the non par value Common Stock for the quarter ending March 31, 1932. All dividends are payable March 31, 1932, to stockholders of record at the close of business, March 1, 1932.

Dividends on 6% Cumulative Preferred Stock are payable on the last day of each month.

T. W. Van Middlesworth, Treasurer.

Public Service Electric and Gas Company

Dividend No. 31 on 7% Cumulative Preferred Stock
Dividend No. 3 on $5.00 Cumulative Preferred Stock

The Board of Directors of Public Service Electric and Gas Company has declared the regular quarterly dividend on the 7% and $5.00 Preferred Stock of that Company. Dividends are payable March 31, 1932, to stockholders of record at the close of business March 1, 1932.

T W Van Middlesworth, Treasurer.

LOEW'S INCORPORATED
"THEATRES EVERYWHERE"

February 18th, 1932

THE Board of Directors has declared a quarterly dividend of 75c per share on the Common Stock of this Company, payable on the 31st day of March, 1932 to stockholders of record at the close of business on the 15th day of March, 1932. Checks will be mailed.

DAVID BERNSTEIN,
Vice President & Treasurer

★

DIVIDEND

ARMOUR AND COMPANY
OF DELAWARE

ON FEBRUARY 19th a quarterly dividend of one and three-fourths per cent (1¾%) on the preferred stock of the above corporation was declared by the Board of Directors. Payable April 1, 1932, to stockholders of record at the close of business March 10, 1932.

E. L. LALUMIER,
Secretary

★

UNION CARBIDE AND CARBON CORPORATION

▼

A cash dividend of Fifty cents (50c) per share on the outstanding capital stock of this Corporation has been declared, payable April 1, 1932, to stockholders of record at the close of business March 4, 1932.

WILLIAM M. BEARD, *Treasurer.*

ALLIED CHEMICAL & DYE CORPORATION
61 Broadway, New York.

February 23, 1932.

Allied Chemical & Dye Corporation has declared quarterly dividend No. 45 of one and three quarters per cent. (1¾%) on the Preferred Stock of the Company, payable April 1, 1932, to preferred stock holders of record at the close of business March 5, 1932.

H. F. ATHERTON, Secretary.

International Petroleum Company, Limited

Notice of Dividend No. 32

NOTICE is hereby given that a dividend of 25c. United States Currency per share has been declared, and that the same will be payable on or after the 15th day of March, 1932, in respect to the shares specified in any Bearer Share Warrants of the Company of the 1929 issue upon presentation and delivery of coupons No. 32 at the

City Bank Farmers Trust Company,
22 William St., New York, N. Y.

The payment to Shareholders of record at the close of business on the 29th day of February, 1932, and whose shares are represented by registered Certificates of the 1929 issue, will be made by cheque, mailed from the offices of the Company on the 14th day of March, 1932.

The transfer books will be closed from the 1st day of March to 15th day of March, 1932, inclusive, and no Bearer Share Warrants will be "split" during that period.

By order of the Board,

J. R. CLARKE,
Secretary.

56 Church Street, Toronto 2, Canada
12th February, 1932.

E. I. DU PONT DE NEMOURS & CO.

Wilmington, Del. February 15, 1932.

The Board of Directors has this day declared a dividend of $1.00 per share on the outstanding $20.00 par value Common Stock of this Company, payable on March 15, 1932 to stockholders of record at the close of business on February 26, 1932; also dividend of $1.50 a share on the outstanding debenture stock of this Company, payable on April 25, 1932 to stockholders of record at the close of business on April 9, 1932.

CHARLES COPELAND, Secretary.

Chrysler Corporation
• DIVIDEND ON COMMON STOCK •

A quarterly dividend, for the first quarter of 1932, of twenty-five cents ($.25) per share, on the Common Stock, has been declared, payable March 31, 1932, to stockholders of record at the close of business March 1, 1932.

B. E. Hutchinson, *Vice President and Treasurer*

MOTOR WHEEL CORPORATION

The Annual Meeting of the stockholders of Motor Wheel Corporation will be held in Lansing, Mich., in the offices of the Corporation, Tuesday, March 8th, 1932, at 2:00 P. M. Eastern Standard Time. Stockholders of record at the close of business February 27th, 1932, eligible to vote, per action Board of Directors meeting February 9th, 1932.

C. C. CARLTON, *Secretary.*

Over-the-Counter

Important Issues

Quotations as of Recent Date

	Bid	Asked
Alpha Port. Cement Pfd. (7)	80	90
American Book Co. (7)	60	65
Amer. Dist. Teleg. (4)	53	57
Do Pfd. (7)	97	100
Amer. Manufacturing	9	13
Do Pfd. (5)	42	50
Amer. Meter Co. (3)	22	27
Babcock & Wilcox (4)	41	45
Bliss (E. W.) Co., 1st Pfd. (4)	..	45
Cl. B Pfd. (0.60)	9	..
Bohack (H. C.) Co. 1st Pfd. (7)	87	94
Bon Ami, B (2)	26	32
Colt Fire Arms (1½)	9	14
Carnation Co. (1½)	17	19
Do Pfd. (7)	100	..
Cleveland El. of Illum. Pfd. (6)	97	102
Congoleum Co. Pfd. (7)	97½	100
Clinchfield Coal	2	5
Do Pfd.	50	60
Crowell Publishing Co. (3)	43	45
Do Pfd. (7)	100	105
Detroit & Canada Tunnel	⅛	⅜
Dixon (Jos.) Crucible (4)	55	65
Doehler Die Cast Pfd.	8	13
Dry Ice Holding	..	30
Fajardo Sugar	14½	16
Franklin Rwy. Sup. (2)	10	20
Gt. Atl. & Pac. Tea Pfd. (7)	115	117½
Herring-Hall Safe	14	22
Howe Scale	3	6
Do Pfd.	15	19
Merck Co. Pfd. (8)	54	59
Metro. Chain Store Pfd	..	4½
Murphy (G. C.) Pfd. (8)	80	..
National Casket (4)	39	43
Do Pfd. (7)	92	96
Newberry (J. J.) Pfd. (7)	79	85
Ohio Leather (.25)	10	13
Do 1st Pfd. (8)	76	86
Remington Arms Pfd	..	60
Ruberoid Co. (4)	36	40
Safety Car H. & L.	25	27
Savannah Sugar (6)	45	55
Pfd. (7)	80	88
Singer Mfg. Co. (8)	122	126
Standard Screw (4)	30	40
Stetson (J. B.) Co	10	15
Do Pfd. (2)	15	20
United Porto Rican	..	5
Pfd.	..	10
Wash. Ry. & Elec. (7)	300	350
Pfd. (5)	85	90
West Va. Pulp & Paper (1)	13½	16
Do Pfd. (6)	85	88
White Rock 2nd Pfd. (20)	115	..
1st Pfd. (7)	96	100
Woodward Iron	4	6
Young (J. S.) (10)	87	..
Do Pfd. (7)	99	..

as starting a new business it is certainly a beneficial economic shift—and there is a lot of it going on. For the first time in many years the net population flow is back to the country.

The business depression is working a revolution. Some men are going down but others are coming up. While those who have been on top descend with anguish, new red blood comes pulsing into business for the improving times that lie before it. The sufferings of individuals are the cost of restored vigor for the economic body as a whole.

It is not impossible that we are now witnessing the obsolescence of business bigness in a great many fields. Perhaps it will remain only in those fields where it is clearly superior to little business, and will entirely withdraw from that wide twilight zone into which it has expanded only from a mania for greatness and more greatness and a lust of power.

Trade Tendencies

(*Continued from page 614*)

most profitable branch of the industry. Concerns in this field for the past year have reported incomes at record levels and the outlook appears bright. This, however, is a small and unimportant division of the field.

Newsprint manufacturing, the most important section of the paper industry, has been the least profitable. Over-expansion of capitalization and capacity occurred throughout the boom years 1922 to 1926. Since 1926 a steady decrease in annual news roll output set in but demand receded at a yet faster rate, threatening to force many of the larger Canadian companies to the wall. The cost per ton has mounted with the declining production rate and competition has become very severe, especially during the past ten months. Last April prices of news rolls delivered at New York City were cut from $62 a ton to $57, followed by a further slash to $53 in December. But even this was not the worst, for recent imports of foreign newsprint at less than $53 a ton delivered have further undermined the market and completely unsettled the industry.

The combined effect of greatly lowered demand, increased costs per ton of manufacture with less activity, and the greatly lowered quotations, has forced most companies into a heavy deficit in the past year. The chances of the industry soon regaining a profitable basis are slight and judged by indications for the first two months of this year reports of first quarter operations are likely to show increased deficits. Indeed, fear of non-survival has compelled negotiations among some of the larger Canadian producers, with an annual capacity of over 200,000 tons of newsprint, to form a combine or merger. Beneficial results, however, have yet to be registered.

Facts, News and Comments

Because of the probable need for further expansion of business during the current year, the directors of Kimberly-Clark Corp. have considered it advisable to conserve the cash position of the corporation by reducing the quarterly dividend on the common stock to 31¼ cents per share.

* * *

In this period of general gloom and depression, it is gratifying to read that not a single life insurance company on this continent has failed to meet every demand, even though these demands were unusually heavy. T. B. Macauley, president of the Sun Life Assurance Co. of Canada, remarked at the annual meeting of the company recently that the Sun Life Company last year paid out $93,000,000 to policyholders and beneficiaries, and that since organization it has paid out nearly $600,000,000.

* * *

With the recent opening of new offices at 40 Wall Street, Thomas F. Lee, Walter E. Stewart, and Hal F. Lee announced the re-entry of their firm, Lee, Stewart & Co. in the investment business as sponsor and wholesale distributor of investment trusts of its own origination.

* * *

J. A. Reichart and G. J. Springer, former president and vice-president, respectively, of Clarence Hodson & Co., Inc., recently re-entered the small loan field with the completion of arrangements to act as wholesale distributors for Credit Service, Inc. Offerings of 6% gold debenture bonds will be made through dealers in 91 cities in nine states.

For Profit and Income

(*Continued from page 611*)

any recent recession cannot be considered anything more than temporary. For 1931, the American Co. reported earnings equivalent to $5.11 a common share, compared with $8.08 a share for the previous year. Similarly, Continental Can showed $3.27 against $5.04 a share for 1930. Nevertheless, despite the possession of substantial long-term potentialities, the common stocks of both our big can manufacturers sell at a comparatively high price in relation to earning power, a situation which in the unlikely event of their business growing considerably worse has unpleasant possibilities.

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THESE standard books published by THE MAGAZINE OF WALL STREET cover every phase of modern security trading and investing. Written in a concise, easily understandable, manner they give you the result of years of research and successful market operation—the foremost tried and proven methods and the important fundamental principles which you can apply to your individual needs.

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